FOREIGN AFFAIRS

AN AMERICAN QVARTERLY REVIEW

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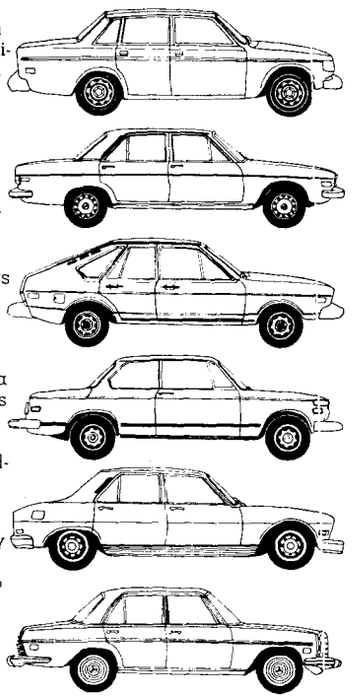

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FOREIGN AFFAIRS

Vol. 54 OCTOBER 1975 No. 1

THE PANAMA NEGOTIATIONS— A CLOSE-RUN THING

By Stephen S. Rosenfeld

AT the very core of Washington's diplomatic and political consciousness is an issue—the Panama Canal—that is providing a severe and illuminating test of America's post-Vietnam global intentions and of the U.S. government's post-Watergate capacity to compose a responsible foreign policy. The issue centers on the effort, conducted intermittently for the 11 years since the Panamanian "flag riots" of 1964, to negotiate a new treaty replacing the Hay-Bunau-Varilla Treaty of 1903. Signed for Panama by a French commission agent at Secretary of State John Hay's home two hours before the arrival of the official commission Panama had sent to negotiate, that agreement granted the United States "in perpetuity the use, occupation and control" of a ten-mile-wide zone to build, run and protect a canal. "We shall have a Treaty," Hay said, "vastly advantageous to the United States, and we must confess, not so advantageous to Panama."

In Panama no one disputes this judgment. In Washington, however, an intense argument has raged both within the executive branch and the Congress, and between them. The dispute goes to the question of how the Panamanian tie should be modernized—whether by small U.S. concessions that would leave the substance of the 1903 relationship intact, or by a new treaty that would restore the Zone to Panama within a fixed term yet would ensure to America the continued use of what remains an "indispensable international waterway." On the outcome of this contest rest not merely substantial foreign policy interests but, in some measure, President Ford's prospect for reelection. This is what has made the Panama issue so singular and so hard.

II

The frustrations that boiled up into the riots of 1964 were those of a classical colonial situation—colonial not just in the objective

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American treatment of Panama but in the subjective failure of many Americans to perceive that the situation was and is of that character. The Canal Zone cuts Panama in half. The U.S. Army entirely runs the Zone: canal, civilian administration, defense. Even for Panamanians, only American law holds in the Zone. Over the years, despite Hay-Bunau Varilla language limiting the American military role to caring for the "safety and protection of the Canal," the Army had pyramided a structure of facilities and missions centering on *hemispheric* defense. It would not lease back unused Zone lands and waters needed for Panama's own fast-growing population. Improvements in economic benefits came only slowly and inadequately in the eyes of Panamanians. They could daily see and feel the grating contrast between the high subsidized standard of living and suburban life-style of the 40,000 American Zonians (5,000 civilian Zone employes and 10,000 military personnel, plus dependents), and the much lower income levels of their own 1.6 million. Coloring the overall Panamanian perception was the awareness that the 1903 treaty, by granting the United States rights "in perpetuity," not only established Panama's humiliation but perpetuated it, balking relief and change. In 1964 the tinder caught. Panamanian students sought to fly their country's flag at a high school in the Zone, as the United States government had conceded Panamanians could do. But some American students resisted. The ensuing explosion left 21 Panamanians and three Americans dead.

President Johnson responded, when the dust had settled, by opening negotiations on a new treaty. But it was never clear whether the two governments intended to achieve an agreement or, by settling into a posture of negotiation, soften pressures to achieve one. At least until recently, this ambivalence of purpose, the result of a lack of self-confidence on the Panamanian side and a surfeit of insensitivity on the American side, has been the distinctive quality of Canal negotiations. In any event, the Johnson-period negotiations got nowhere.

In the year of the riots, Richard Nixon had said that the United States should negotiate "the little irritating things" but there should be "no give" on control: "If the United States retreats one inch in this respect, we will have raised serious doubts about our bases throughout the world." Once he was in the White House, the Canal fell victim to the relative inattention Washington paid to Latin America and to Third World areas and issues not thought critical to the global balance of power. Nixon reviewed the Johnson negotiating position and concluded that national security required sticking to a tough position; any new treaty should let Washington retain control for

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up to 80 more years, including the period in which the United States could exercise an option to build a sea-level canal or another, third set of locks. The Panamanians, one notes, regard extension of American jurisdiction beyond the 1903 treaty's centennial as unthinkable.

A congressionally authorized Atlantic-Pacific Interoceanic Canal Study Commission conspicuously consumed six years (1964–1970) studying the feasibility of a sea-level canal in several other Central American states—thereby reminding Panama that Washington had other options. The Commission finally recommended that a sea-level canal be built in Panama by the end of the century to handle the expected larger ships and greater traffic. Before and since, this and similar calls for "major modernization," which presumably only the United States could finance and carry through, have become the principal substitute offered by partisans of the status quo in place of the modernization of political relations sought by Panama. Nixon's (and Johnson's) Panama negotiator, Robert B. Anderson, resigned in 1973. U.S. policy was at a dead end. The initiative was shifting to Panama.

III

Omar Torrijos, a colonel of the National Guard, Panama's sole military force, ousted the oligarchy's elected president in 1968. To his critics a puppet and stalking horse for Cuba or Russia, now-General Torrijos, 46, impresses other observers as a determined and calculating politician. He uses populist social policies, nationalistic rhetoric and his friendship with Fidel Castro to hold in check the popular emotions and political challenges that otherwise might roar through the gates and make negotiations with the United States impossible. From the moment he took power he tried, by steering domestic political outrage toward particular Canal grievances, to squeeze concessions out of the United States. For instance, though he had himself studied at a Southern Command facility in the Zone, he demanded that SOUTHCOM reduce its non-Canal functions on the ground that these make Panama an unwilling partner of American policies about which it is not consulted.

When Washington rebuffed this and other similar approaches, Torrijos hit upon the bold tactic of "internationalizing" Panama's complaint. Taking advantage of the prevailing winds blowing upon the United States in the United Nations, he invited the Security Council to meet in Panama City in March 1973. Barely a month before, the House Merchant Marine and Fisheries Committee, a major bastion of Canal orthodoxy, had demanded that the United States retain "undiluted sovereignty" and had even recommended that a new radio

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station be set up to tutor Panamanians in the benefits of the status quo. A Security Council resolution, however, took the position that the issue should be settled promptly on the basis of restored Panamanian sovereignty. Miffed to be embarrassed at the very scene of the alleged offense, in a region it had previously regarded as closed to political reach from outside the hemisphere, Washington curtly cast a veto. But in the new U.N. session of 1975–76, Panama will have its own Security Council seat, obtained in a regional horse trade with Argentina. Already ensconced on every Latin agenda, the issue of Panama has become an international fixture.

It was the shock of these events that induced Nixon to launch, and Gerald Ford to continue, the positive new line of policy being played out now. The propaganda and political beating administered in the United Nations helped transform the issue within the U.S. government from a modest regional matter, which could safely be left in a state of stagnation, into a major priority. That Nixon was then deeply immersed in Watergate was, on this issue, helpful. His distraction let Secretary of State Henry Kissinger move forward despite the fact that movement was sure to arouse precisely those conservatives in the Congress and country on whom Nixon presumably was relying to help bail him out of an impeachment. But Kissinger geared up, appointing senior diplomat Ellsworth Bunker, now 81, as his special Canal negotiator in the fall of 1973, and a year later William D. Rogers, a Democrat and former Alliance-for-Progress administrator, as his Assistant Secretary for Inter-American Affairs. His new post gave Bunker, a former ambassador to South Vietnam, the opportunity to end his career with a success. As for Rogers, he had long shared the Panamanians' sense of the importance of a Canal solution to both countries.

Kissinger was by then ready to respond to advisers and critics urging that the United States repair its neglect of Third World areas and issues. "The United States has been torn by many problems," he explained to Latin American foreign ministers, meeting them for the first time early in 1974. In recent years Latin America has repeatedly asserted a determination to reduce its dependence on the United States, but Washington, while respecting the Latins' desire for a new relationship, remains at least as interested as they in a "special" one. As Kissinger started dipping into Latin affairs, he found that there was more actual community of interest and more personal responsiveness than he had been led to believe. His emphasis on access to Latin resources and markets and on the businesslike working out of disputes touching trade and investment has had in it little of the high-minded,

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but frustrated, appeal of the Alliance. But there has been in it room and rationale for ending long-abrasive bilateral disputes with Mexico and Peru and for easing the last two major political anachronisms in the hemisphere. The first of these is the lingering shadow of the cold war represented by the now-fading "isolation" of Cuba. The second is the stark reality of turn-of-the-century imperialism represented by the American grip on the Panama Canal. "Philosophically, all Latins are hooked on the Canal. It's the one issue all Latins agree on," one American diplomat has said. It is also the one issue on which all Latin governments cooperate in practical terms—even those conservative governments which grimace at the thought of the prestige which a new treaty would confer on the populist Torrijos.

On another level, Kissinger has, I believe, been tentatively searching since Vietnam for a way for the United States to deal effectively with the insistent nationalism of smaller and weaker states. He seems to sense not only its force and the support it evokes from other states but the limitations on dealing with it imposed by America's own ambivalence. Much of what is involved here is perhaps whether we can stop regarding particular diplomatic encounters as though they were tests either of our national manhood or of our resolve to stay in the great-power game. For if we do not manage thus to shrink the stakes in our diplomacy in a place like Panama, abiding symbol of the "big stick" of the past, then a solution fades virtually out of sight.

Yet Kissinger has not been without his own ambivalence on this score: the U.S. response to seizure of the Mayaguez, for instance, showed exactly the determination to stand up forcefully to a challenge by a small nation that his critics now find lacking in his approach to Panama. But while in Panama on February 7, 1974, to sign a joint declaration of Eight Principles governing negotiations for a new treaty, Kissinger accepted the Canal as a test of a new American international style that would be based not on "relative strength" but on "conciliation." To this end, he stated that "in the great dialogue between the developed and the less developed we cannot find answers anywhere if we do not find them here in the Western Hemisphere."

The Eight Principles grew out of a suggestion which Panamanian Foreign Minister Juan Antonio Tack offered in 1972 to keep the then-flagging negotiations alive. It fitted well the similar approach often used by Kissinger to make a start, or a fresh start, in heavy weather. By the chief Principle, the United States undertook to abandon its claim of rights "in perpetuity"—the phrase of 1903 which most offends Panamanian sensibilities. Left to subsequent negotiation were the specific terms, including duration, of a new treaty to cover the

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period until Panama takes over both full responsibility for the Canal and full control over the Zone. Kissinger moved on quickly to his first hemispheric foreign ministers meeting two weeks later to collect the plaudits which this earnest of a "new era" had won. Negotiators Bunker and Tack sat down to work.

IV

Instantly, the opposition began to congeal. And here one must explore the Canal's unique popular appeal. "When I am home in my district, there is only one thing I can say that invariably makes them cheer," says Representative David Bowen (Republican-Mississippi). "I say that if we can keep the striped-pants boys out of it and leave the Canal to the Corps of Engineers, then things will work out fine." Many Americans, especially of the older generation, have been brought up to regard the Canal as an engineering marvel which only the United States could have built and run, and as emblematic of an entirely beneficent and successful way to help raise up a less fortunate people. The combination of technology in the service of commerce, and power in the service of uplift, stirs deep feelings in the breasts of people who simply do not understand why Panamanians would wish to object. Then, too, many Americans view the Zone as sovereign, and therefore unrelinquishable, territory—despite the 1903 treaty's unequivocal assertion in its preamble that the United States was only acquiring "*control* of the necessary territory . . . the *sovereignty* of such territory being actually vested in the Republic of Panama."

I felt closest to understanding these sentiments when I heard the voice of an otherwise liberal senator swell with pride as he recalled his excitement at first seeing the locks: "Ships come up like toys in a bathtub." He slipped easily into arguments commonly heard from conservatives, declaring the Canal "ours" and not to be "negotiated away" and pronouncing himself "appalled by the instability of the Panamanian government and the students."

Out-and-out conservatives like Senator Strom Thurmond (Republican-South Carolina), leader of the hard core of 20 or so Senators who resist all but cosmetic change, see the State Department as in effect the agent of a hostile power and regard the treaty negotiation as the "giveaway" of a vital strategic asset to communists. In the House, the rallying point for a similar hard core of some 100 Congressmen is Representative Daniel Flood (Democrat-Pennsylvania), who traces his fervor and expertise to childhood contact with both the Canal and Teddy Roosevelt. Flood is a principal spokesman for the Zonians, a community—including some members of the third genera-

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tion—which assumes an easy identity between its own perquisites (job preferences, post-exchange privileges, tropical pay differential, and so on) and the nation's interest.

Such are the political passions drenching this issue that it is easy to overlook the strictly economic factors that favor a new treaty. For important as the Canal is to American commerce—it carries nine percent of American foreign trade, one percent of world trade—it may be becoming less so. The new, larger ships which now dominate ocean commerce cannot pass through the 61-year-old waterway. Ship transits dipped below the standard 14,000-plus level last year. The Panama Canal Company is contemplating a request to Congress for a quick $100 million to make the minor improvements necessary to allow passage of some of these larger ships. But most of them could still not get through, and raising tolls to cover even the minor improvements apparently would risk losing cargoes to other routes and carriers.

As ships get bigger, furthermore, the need for either a sea-level canal or a third set of locks becomes simultaneously more pressing and more difficult of attainment. Not only would the costs be immense but Congress would be reluctant to participate if American control were not assured. Therefore, though "major modernization" under American auspices is the constant cry of conservative elements—their earnest of good faith to the Panamanians—it is being made less probable by rising construction costs, uncertain business, and political change. Significantly, Panama, which gains 15 to 30 percent of its gross national product from the waterway and auxiliary activities, seems readier to accept this prospect than are American conservatives. It is eager to conclude the negotiations promptly and successfully so that it can get on with other development projects which do not hinge on major modernization of the Canal.

The AFL-CIO, which claims 17,000 duespayers (mostly Panamanian) in the Zone work force, opposes any new treaty which does not preserve the position of organized labor. Some environmentalists have expressed the fear that the digging of a sea-level canal would mix the waters and marine life of the two oceans. This is a matter in dispute among scientists. It provoked Congressman Flood, a new-locks man not previously known as an environmentalist, to forecast the spread of Pacific sea snakes into the Atlantic "as far north as Virginia."

But the chief force that has been behind the status quo is the military. Ever since the United States established a two-ocean navy and built carriers too big to transit, the waterway has had no important

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strategic role, though the Pentagon correctly declares that it is a vital American interest that it be kept open. The Army makes most of the Canal. It operates the facility, administers the Zone, and protects the whole package. Its Southern Command, sometimes known for its abundance of generals and golf courses as "Southern Comfort," clings to its support mission—largely training—of military programs throughout the hemisphere. Beyond specific service interest lies the military's impulse to hold on to all of its far-flung lodgments against whatever contingencies its strategic planners may formulate. On this contingency basis, for instance, the Navy has clung to a seaplane ramp site, though seaplanes faded from use years ago. It is conceded that the American forces in the Zone would be powerless against a serious threat from external conventional forces, let alone one involving nuclear weapons. That a popular uprising, guerrilla action and sabotage are the only contingencies seriously imaginable there, that these would most likely arise in response to the unyielding clasp of the United States: these considerations are brushed aside. The Pentagon, the arm of government which most represents the projection of American power, is the temple of those Americans who identify the American position in Panama with destiny as well as defense. By tradition, the Joint Chiefs of Staff are the priests of this temple; the veterans organizations, its acolytes.

It was no surprise, then, that some in Congress received the Eight Principles signed by Kissinger and Tack as a call to the barricades. The newly proposed treaty had no organized constituency, the Canal has a sprawling one accessible to a tight Washington lobby. In March 1974, Senator Thurmond introduced a resolution, which quickly got the 34 signatures necessary to block ratification of an eventual instrument, insisting upon retention of "undiluted sovereignty." Similar resolutions were introduced in the House. Much to the satisfaction of that body, which often feels upstaged by the Senate on foreign policy issues, it is now conceded that legislation by the House would be required to supplement the ratification of a treaty by the Senate. Article IV of the Constitution gives "Congress . . . power to dispose of . . . the territory or other property belonging to the United States," and the Administration grants without argument that the return of territory is involved in this case and that therefore some part of the treaty package must be submitted to the House (for action by majority vote).

Notwithstanding these evident pressures, the State Department adhered—until May 1975—to a tactical decision to avoid making a concerted effort to win support for the treaty until a draft of it was near.

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To make such an effort, it was reasoned, would attract publicity that opponents in both countries might use to spoil the talks. The likely length of the negotiations, their uncertain outcome, and the embarrassment of having to conceal—or worse, disclose—differences between State and Defense, all fed into the decision. Whether it was correct, however, is now questioned even by some who contributed to it. For the opposition was given a long lead time to develop its own campaign. Some would-be supporters started to drift away and others complained that the Administration was leaving them exposed and alone. Relations with Congress on foreign policy have been a minefield through most of the Nixon-Ford Administration. The Vietnam War notwithstanding, congressional challenge is not a monopoly of the Left. Whatever his stature elsewhere, Kissinger is altogether mortal on Capitol Hill. By one aide's account, he did not realize the depth of congressional feeling on Panama until this June when, at a breakfast of the GOP's Chowder and Marching Society, Representative W. Henson Moore (Republican-Louisiana) told him, "No matter how rational you are about the treaty, it will be bitterly opposed in Baton Rouge, and Ford will lose Louisiana."

By this time Thurmond had already gathered 37 Senators on the 1975 model of his resolution to block a new treaty, and had personally warned Kissinger not to send up a treaty. Not all of the 37 could be considered firm—one Senate liberal, for example, explained privately that, in his unfamiliarity with the issue, he had accepted the negative counsel of a home-state colleague—but Thurmond had begun lining up against a treaty some Senators who had not co-sponsored the resolution. In the House, Representative Gene Snyder (Republican-Kentucky) suddenly offered, on June 26, as a floor amendment to the State Department's appropriations bill, a ban on spending any funds to "negotiate the surrender or the relinquishment of any United States rights in the Panama Canal Zone." Snyder frankly meant to derail the negotiations. Representative Ralph Metcalfe (Democrat-Illinois), who as chairman of Merchant Marine's Canal subcommittee had probed outdated racial practices in the Zone, warned that foreclosing negotiations after 11 years would produce a foreign policy disaster. Others joined him in pointing out the constitutional impasse that would result if the President's negotiating authority was thus choked off. But Representative L. H. Fountain (Democrat-North Carolina) pronounced himself "sick and tired of seeing America continue to yield and yield." Representative Bill Alexander (Democrat-Arkansas) suggested that if the Canal were returned to Panama, "the next thing we know the Soviet Union is going to want Alaska back."

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No less than 410 members chose to vote on the Snyder Amendment and it carried by a bipartisan 246 to 164. Senator Harry Byrd (Independent-Virginia) introduced a companion measure in the Senate.

Prior to this vote—and doubtless contributing to it—there had been contacts between the Pentagon and the Congress that suggested major Pentagon reservations. The military volcano had started to rumble, and legislators found Pentagon officials easing off their posture of noncommittal neutrality. ("Oh, yes, very important issue") and sliding into outright opposition. The Navy took 20 Congressmen for a boat ride while a full admiral delivered a Canal massage. On June 27, 1975, Howard Callaway, retiring as Secretary of the Army to become President Ford's 1976 campaign manager, disclosed in a newspaper interview the open secret that Defense and State were still split over the terms of a new treaty; he said it was "not just the right wing" but "moderates" who opposed it, and he would tell Ford so. Canal negotiator Bunker had broken his silence in May and started going to the public and Congress, warning that, without change, "we would likely find ourselves engaged in hostilities with an otherwise friendly country." "Another Vietnam," anxious liberals prophesied. "Another Suez," conservatives rejoined. Kissinger was by then putting treaty plugs into his own speeches around the country. But Ford himself was mum. Callaway's statement raised the very real possibility that a pressing piece of foreign policy business would be sidetracked as a result of the President's perceived political need to protect his conservative flank in an election year. White House advisers Donald Rumsfeld and Robert Hartman were nursing this view. House Minority Leader John Rhodes (Republican-Arizona) advised that it would be "political suicide" to proceed.

V

Ellsworth Bunker had long held that he would not go to Panama to negotiate any sub-issue on which a unified U.S. government position had not been reached. From March onwards, two such issues remained. On one, duration of a new treaty, State argued for a term at or near the Panamanians' politically imperative figure of 25 years—hardly overnight—at the end of which time America would relinquish jurisdiction both for purposes of operating the Canal and for defense; however, the Pentagon insisted on negotiation of a separate agreement, renewable beyond the term of 25 years, covering just the Canal's defense. On the second issue, the extent of Zone lands and waters to be retained by the United States during the treaty period, the Pentagon's claims were considerably broader than State's.

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In the face of these unresolved departmental differences, Bunker's expected return to Panama in July was postponed and it appeared that negotiations might come to an effective halt for 18 months or two years or however long it would take a reelected or new Chief Executive to focus again on the Canal, assuming—as one could hardly assume—that Panama would patiently fold its hands and wait.

Through July the battle raged. Defense had the raw power, though Secretary James R. Schlesinger had handed over his department's brief to his deputy, William Clements. Kissinger's team believed it had greater departmental consistency and superior preparation of positions. Against the contention of some officers that Panama could not be trusted with the defense of the Canal was set the candid private admission of General George Brown, chairman of the Joint Chiefs of Staff, that since potential Panamanian violence or sabotage was the real threat, the Canal could be protected better with than without the consent of the Panamanians. Panama's alleged instability and vulnerability to communism were set against the impetus that would be given to those dangers if Torrijos' relatively moderate approach to negotiations collapsed under what was seen as American stonewalling. The probable decline of the Canal as an American economic asset and the great hurdles to building a new canal were pointed out. It was observed to the Pentagon that if it meant what it said about favoring a new treaty, it would have to facilitate the change necessary to negotiate one. Anyway, the State Department argued, with a new treaty the United States would enjoy substantial control for several more decades. Without a treaty, use would be in some jeopardy and the diplomatic toll could be immense. Those who contended that a treaty would be a political millstone around Ford's neck were met with the argument that failure on a treaty would produce a diplomatic catastrophe that would itself undercut the President's election-year need to appear able and successful in international affairs.

On the eve of his trip to Europe at the end of July, Ford instructed the two departments to prepare for him a unified government position that would be negotiable with Panama. This represented tentative victory for the State Department. The bureaucratic contest had evidently convinced the President that policy required and politics permitted a treaty.

And while the President was in Europe, another forward step was taken. New-treaty stalwarts Senator Gale McGee (Democrat-Wyoming) and Senator Hubert Humphrey (Democrat-Minnesota) unleashed their aides to mount a campaign that found 60-plus Senators ready to vote against the anti-treaty resolution being moved toward a

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floor vote by Senator Harry Byrd. The United States Catholic Conference, sensitized on this issue by Panamanian Archbishop Marcos McGrath, lobbied notably hard.[1] Counting heads, Byrd did not even send his resolution to the floor. This campaign, though mounted behind the scenes, was the first show of congressional strength in support of the State Department's position. As such, it was a useful exhibit to present to a President who might be wondering how the political winds would blow. Ford could see, too, that Panama was raising the diplomatic stakes. In August, Panama applied to join the bloc of "nonaligned" countries to mobilize pressure on the United States at the United Nations. General Torrijos let it be known that Panama was preparing to ask this fall's session of the General Assembly to indict Washington for "colonialism."

Returning from Europe, President Ford reviewed the state of bureaucratic, political and diplomatic play and apparently arrived at a clear-cut decision. It was soon announced that Ambassador Bunker would return to Panama to resume negotiations immediately after Labor Day, and American Ambassador William Jorden, pleased to be bearing promise of progress after five months of delay, so informed General Torrijos on August 10. The resumption can only mean that Bunker has received presidential instructions, particularly on the disputed issues of duration and lands and waters to be retained, and that the differences between State and Defense have been resolved at least for the time being.

One can only speculate on the factors that entered into the President's August decision. In the internal debate, it would appear that the principal Defense considerations had been more or less answered and that the political objections were accordingly reduced at least to bearable levels. Assuming that the Joint Chiefs are now aboard on the new negotiating position, Ford may well have calculated that, when the issue actually comes to the Congress, congressional opposition can be reduced to a manageable hard core. Moreover, if the concurrence of the Pentagon holds firm, the size and impact of any conservative backlash should be trimmed, if not eliminated, as the President heads into an election year.

VI

Looking to the future, it is not clear at what pace the negotiations will now proceed and whether a treaty might be completed in the next few months. Even if this were accomplished, the President would face a serious question whether to submit a completed treaty to the Hill at

[1] See Marcos G. McGrath, "Ariel or Caliban?" *Foreign Affairs,* October 1973.

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once or to wait until the nonelection year of 1977. For the Panamanians the irreducible minimum has been to get the treaty negotiated and signed. They might well be prepared to let ratification float for a year or so in the quadrennial tide of American politics. In sum, it is far from certain that all of the pieces will eventually be put together, but this now seems possible, if not likely, to some of those closest to the process.

"Diplomacy" is a misnomer for that process. For that word, suggesting a careful sifting and blending of national interests by discreet professionals, simply fails to convey the contest of political forces—between departments, between branches of government, between presidential advisers of differing persuasions and responsibilities—which temper the conduct of foreign policy. The Canal is an issue on which, one hopes, the right outcome is resulting in terms of the country's broad national interests. This is coming about, however, less from an orderly analysis and common perception of those interests than from an unchanneled process that reflects all of the diffusion of purpose and fragmentation of power current in Washington today.

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THE PERSIAN GULF: ARMS RACE OR ARMS CONTROL?

By Edward M. Kennedy

TODAY the American people are engaged in a rethinking of U.S. policy toward many parts of the world. In the process, it appears unlikely for the foreseeable future that we will respond to events in the world with major new commitments of arms or men, beyond maintaining established involvements—e.g., NATO, the strategic nuclear balance, and our commitments to countries like Japan and Israel.

However, there is one way in which we are slipping into more military involvements around the world—in the sale of arms to virtually any non-communist country that has the money to pay for them. From $921 million five years ago, U.S. arms sales rose to $3.8 billion in fiscal 1973, to $8.2 billion in fiscal 1974, and in the fiscal year just ended, to $9.3 billion. This tenfold spurt now involves 71 countries as customers; all told the United States is responsible for about half of a total worldwide arms trade that is approaching $20 billion.[1]

The dramatic American increase has so far occurred without a clear analysis of our interests, objectives, policies, or of costs or benefits. There is simply a vacuum in U.S. policy. And nowhere today is this more obvious—or the consequences of error more likely to damage interests of the United States and other countries—than in the region of the Persian Gulf.

Indeed, when one looks hard at the "arms sales" problem, it turns out to be very largely a "Persian Gulf" problem. For U.S. arms sales to a handful of Gulf countries account for $4.4 billion of the fiscal 1974 total (54 percent) and for $4.3 billion in fiscal 1975 (46 percent). In blunt terms, we cannot have a coherent arms sales policy unless we have a coherent Persian Gulf policy. And what we do there could be the first test case of our ability to adopt rational policies in the post-Vietnam world.

Nor are we alone. In 1974, the Soviet Union and Eastern Europe agreed to ship about $360 million worth of arms to Iraq, while France sold more than $1 billion worth to Gulf states, followed by Britain at

[1] U.S. arms sales figures are those under the Foreign Military Sales Act, and are *orders*, not *deliveries*. The Military Assistance Program, transfers of excess defense articles, and Military Assistance, Service Funded, added $1.9 billion in military export orders in fiscal year 1974. U.S. commercial sales *deliveries*—outside the Foreign Military Sales Act—totaled $502 million in fiscal year 1974.

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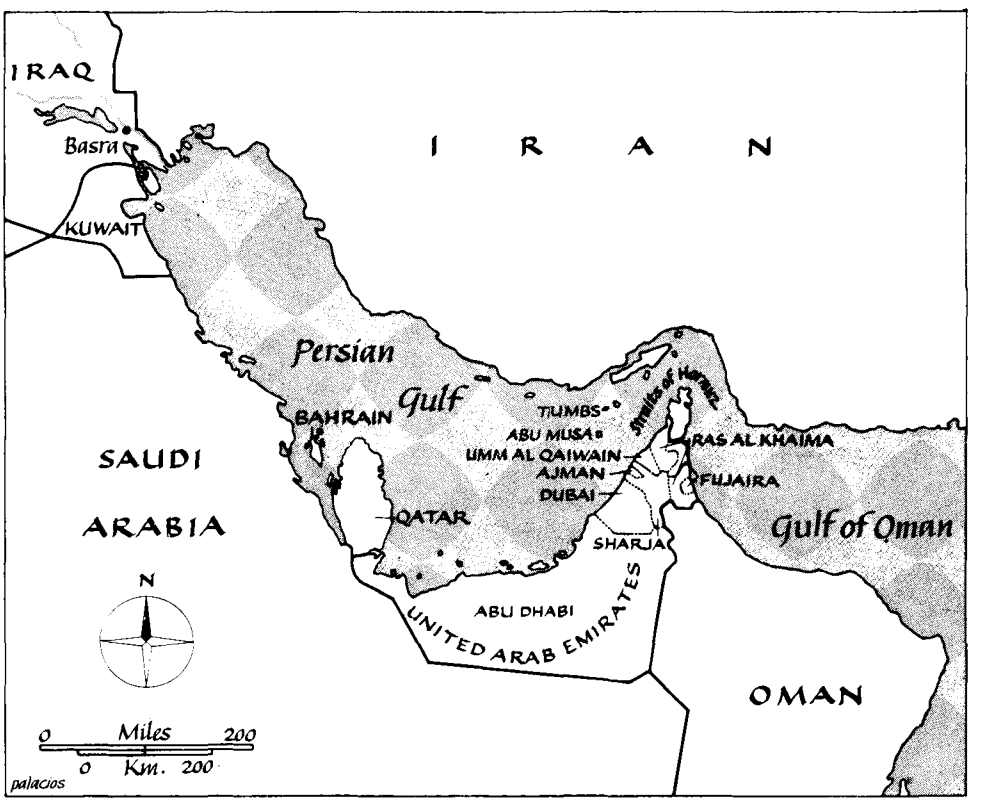
about $500 million, and West Germany at $120 million. This represents an acceleration of West European involvement, particularly after the rise in oil prices.

Is this increasing influx of arms into the Gulf in our interest, that of other outside powers, or even that of the local states? That question can only be answered by looking at the importance of the Gulf; its recent history, especially the evolving role of the superpowers; and the relationships and the threats to peace within and among the Gulf states themselves.



Today the importance of the region to outside powers is plain enough: it is the major source of oil for Europe and Japan (and increasingly for the United States); close to the borders of the Soviet Union; hard by the conflict between Israel and its Arab neighbors; and a center of growing wealth, nationalism and self-awareness. As such, the Gulf has become critically important to outside nations, both rich and poor. But it remains an area where America's interests are not well-defined, her policies even less so, and her vision of the future hardly at all.

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For these reasons, last May I visited the Gulf states of Saudi Arabia, Iraq and Iran. I returned convinced that a major new look at U.S. Gulf policy is urgently needed. While any drastic shift must come gradually—and largely in the context of initiatives from within the area—there *are* things the United States can do, guidelines it can follow, that not only can serve our own short-term interests better than our present haphazard course, but also make a significant contribution to the long-term peace and healthy development of the area.

II

Where are we and how did we get there? For two decades following the Second World War, U.S. policy toward the Gulf was reasonably straightforward. We sought to strengthen Iran, as part of far-flung defenses against what was seen to be possible Soviet encroachment. We worked to promote a good operating climate for Western oil firms, as an aid to the prosperity of Europe and Japan and the U.S. balance of payments. And we hoped to cultivate generally good relations with individual states, both in their own right and to increase our ability to influence events in the festering Arab-Israeli conflict.

In terms of politics, this meant assuming the old British role of support for Iran, building a strong relationship with Saudi Arabia, and encouraging Britain to remain involved in the Gulf itself. Militarily we provided large-scale aid to Iran from as early as 1952, and in the 1950s sponsored the Baghdad Pact, which evolved into the Central Treaty Organization (CENTO); we also furnished small-scale aid to Saudi Arabia. Our actual military presence was limited to military assistance groups in these two countries and a miniscule naval Middle East Force stationed at the Gulf island of Bahrain.

The postwar structure of U.S. interests and policies in the Gulf area began to change during the mid-1960s. Détente, born in Europe and in U.S.-Soviet strategic relations, began to reduce anxieties about possible Soviet moves toward the Gulf or, more immediately, toward Iran and its CENTO neighbors, Turkey and Pakistan. In 1968, meanwhile, Harold Wilson announced a progressive British withdrawal from "East of Suez," including an end to a century and a half of suzerainty over a handful of skeikhdoms scattered about the Gulf. Having already granted Kuwait independence in 1961, Britain proceeded to withdraw its military presence throughout the Gulf; as it did so, it virtually abandoned its not-to-be-duplicated political role and dismantled the complex web of relations with local states which it had built up over the years. Furthermore, in the 1960s the rising

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prosperity of Europe and Japan pushed their dependence on Gulf oil production higher and higher, and by the end of the decade even the United States began importing significant quantities of Gulf oil. The Organization of Petroleum Exporting Countries (OPEC) thus acquired its new economic leverage.

The watershed year was 1971. It began with the first concerted and successful OPEC efforts to raise the price of oil—at Tripoli and Tehran—and ended with the final departure of Britain from the Gulf. For a time, there was debate in the United States and elsewhere about the need to "fill the military vacuum." What soon became apparent, however, was that the same conditions that were leading to the increase in oil prices made "filling the vacuum" both unnecessary and unacceptable—namely, the growing sense of political and economic power and nationalism on the part of local states, especially Iran.

So American policy remained essentially unchanged. We stayed largely aloof from local politics, as Britain put together the United Arab Emirates and then withdrew; and we continued to sell arms—mostly in modest amounts but with Iran as a rapidly growing buyer from 1972 on.

Then, in October 1973, came another decisive turn, when the onset of the fourth Middle East war and the Arab oil embargo became the setting for two further steep rises in OPEC prices—to nearly five times the pre-1971 level. OPEC nations asserted their full power, and Persian Gulf countries were at the heart of OPEC's strength, with two in particular playing key roles—Iran was the most influential voice in the setting of oil prices, and Saudi Arabia was both a powerful voice in Arab councils about the continuing Arab-Israeli crisis and the fulcrum for OPEC's continuing solidarity and ability to control oil supply. American relationships in the Persian Gulf took on crucial new degrees of national interest, with respect to both oil and Israel.

On the oil front, how America should seek to deal with the OPEC countries has been the subject of widespread debate over the past two years. Many observers have long argued that factors of energy supply and demand, plus the political and economic consequences of the price rises, militate for U.S. policies centering on cooperation both with other consuming nations and with oil-producing countries, rather than confrontation with the oil producers. At the same time we should be seeking to change the terms of trade in energy, through conservation and diversification of supply.

Thus, one central focus of American policy—not limited to the Gulf but bearing heavily on it—must lie in the mutual interest that oil

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producers and consumers have in economic relations: the ways in which we support the development efforts of local countries; join in channeling and recycling petrodollars in productive ways; open an effective dialogue with oil-producing states on a wide range of economic issues (not limited either to the Gulf or the oil producers); promote the use of petrodollars for development elsewhere in the world; and draw the oil-producing states more firmly into the Western economy through a myriad of links between producers and consumers, and in international economic institutions. To promote these ends, we should be working with other states, rich and poor, toward the gradual creation of a new global economic compact, as a process of restructuring the world economy in ways that can benefit more nations and people than before.

Discussion and debate on these issues of promoting critical *economic* "security" are well-advanced. What has been overlooked, however, are the new dimensions of the issues of political and military security in the Gulf. In approaching the recent requests of the Gulf nations for massive amounts of arms, we have been guided in part by holdover policies from the pre-1973 period, in part by a general desire to keep firm ties with Iran and Saudi Arabia, in part by the need to shore up our balance of payments, and—as a kind of last-resort argument heard more in private than in public—by the belief that if we don't sell arms to the Gulf countries, some other country will.

None of these arguments is trivial or unworthy. But the effect of their unquestioned acceptance has been to draw the United States—and other nations close to us—more and more deeply into the security situation of the Gulf, as the sale of arms has increased dramatically.

Nor is it by any means a case of cash-and-carry sales. American technical teams are now spread out all over Iran, and in Saudi Arabia (where the need for initial technical help is even greater) this involvement is likely to be equally great. Already American attention has been called to a contract between the Vinnell Corporation of Los Angeles and the government of Saudi Arabia, to provide up to 1,000 ex-U.S. military personnel to train the Saudi Arabian National Guard. And Iran has reportedly asked a U.S. firm to set up a communications intelligence system for Iran in the Gulf area, with implications for other Gulf states and possibly also for the security of U.S. intelligence methods. These developments, along with the flow of arms presented earlier, mean that we have a decisive impact—for good or ill—on the development of military forces in these countries and hence on the prospects for stability or conflict, both within and among Gulf states.

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Furthermore, our deepening defense relationships with these countries only increase the chances that we would be dragged into a conflict not of our choosing, in part because the lives of U.S. arms-related personnel could be placed in jeopardy in any fighting. The Defense Department currently estimates that as many as 150,000 Americans will be in the area by 1980, fulfilling both military and economic contracts.

Our involvement in issues of Gulf security, therefore, is real and growing—through both military missions and private contractors, although foreign military aid to the Gulf has come to an end. Yet it makes little difference whether the U.S. government is directly involved in supplying arms, or follows congressional mandate to get out of the government-to-government arms trade and merely licenses arms sales through the Department of State, as required by law. The United States will still be involved in the consequences of the arms flow. Already, in some Gulf countries, our military relationship is a dominant factor in the U.S. presence, at least as far as relations directly with governments are concerned.

In short, our military involvement in the Gulf area has taken on wholly new dimensions. Obviously, this has not been simply because the Gulf states have vast new wealth available, or because we need to pay for our oil imports. The impetus has come, in the main, from the Gulf states themselves, based on their own conception of their national and security needs. But if we are to frame a thoughtful American policy, we for our part need a detached view of our own security and other interests.

III

Clearly we have a security interest in helping to prevent any expansion of Soviet power into the Gulf area. In the postwar years, the threat of outright Soviet aggression, or overpowering pressure, against Iran seemed vivid indeed; and it was to assist Iran, and to deter and prevent such Soviet action, that the United States maintained major programs of military aid grants, loans, and credits to Iran over the years (totaling over $1.4 billion between 1947 and 1969), associated itself with CENTO (though only as an observer), and in 1959 entered into an executive agreement with Iran providing that "In case of aggression against Iran, the . . . United States, in accordance with [its] Constitution . . . will take such appropriate action, including the use of armed forces, as may be mutually agreed upon. . . ." While these actions do not add up to a formal treaty commitment to Iran, they do imply a high degree of American concern and support. The visitor to

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Tehran is soon reminded of how seriously America is relied on, and how seriously too the direct Soviet threat is still regarded—a factor that must be weighed against the risks that arms sales to Iran in this context may create problems in another: the Gulf stability needed to promote the flow of oil.

In particular, the close ties between the U.S.S.R. and Iraq have seemed to provide the Russians with a base of influence and involvement in the Gulf area—possibly including subversive activity. Moreover, the Iraqi link has seemed to symbolize a more subtle form of Soviet threat—that the U.S.S.R. might at some point come to control oil output from the Gulf, and thus be in a position to apply a stranglehold over oil supplies vital to U.S. and Western interests and security.

Yet in recent years, détente has altered Western concern about Soviet involvement in the Gulf. At this point, Moscow would have to weigh heavily interests in dominating the Gulf against objectives in arms control, Europe, the Arab-Israeli conflict, and elsewhere. Furthermore, the Soviet Union is not in a position to wield much leverage vis-à-vis the Persian Gulf energy situation. It will not import significant quantities of oil and natural gas from the area for the foreseeable future—nor are its goods likely to be sought after by the oil producers. At the same time, even Iraq is showing an increasing interest in Western goods and technology, as witnessed by the rapid rise in imports from the United States, up from $57 million in 1973, to $284 million in 1974, and to perhaps as much as $600 million this year.

Soviet political scope is also limited. Iran's historic mistrust of the Soviet Union has resulted in a defensive arms buildup and wariness about Soviet commercial or political links—although Iran does buy some Soviet military equipment. Iraq, meanwhile, has in recent months been loosening its ties to the Soviet Union—parallel with the end of the Kurdish rebellion—although it is far too early to tell whether this trend will continue. Certainly, despite Soviet support for Iraq in the Arab-Israeli dispute, and at times in ideological struggles within the Arab world, little love has been lost between the two countries. Finally, along the southern littoral of the Gulf, traditional regimes from Kuwait through Abu Dhabi to Saudi Arabia retain an antipathy to the Soviet Union and to communism.

Furthermore, from the point of view of the West, it is unlikely that the economic or even political incentives of Gulf states to sell or withhold oil in world markets will be deeply affected by the nature of governments in power. For example, though Iraq is the strongest Gulf opponent of Israel, for economic reasons it did not restrict its produc-

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tion of oil in 1973, the only Arab country to defy the cuts imposed by all other members of the Organization of Arab Oil Exporting Countries (OAPEC). While assuredly developments in the Arab-Israeli conflict could lead to a resurgence or strengthening of Soviet involvement in the Gulf region—particularly in Iraq—nonetheless the likelihood of a direct Soviet threat to Gulf nations is today sufficiently remote for that factor to be largely ruled out in the short term as a reason for Western military or naval involvement in the Gulf itself, or for the supply of substantial arms to local states. The views of local states—such as Iran—may differ, and that nation cannot be indifferent to events in places like Baluchistan, in addition to the Gulf area; but the United States should be clear in its own assessment of the Soviet factor and appropriate responses to it, in judging its arms supply policies to Gulf nations.

Recently a new concern has arisen, that Soviet naval forces might interfere in some crisis with the shipment of oil from the Gulf. Here the strategic Straits of Hormuz, at the mouth of the Gulf, do represent a bottleneck through which most of the world's exportable oil must pass. Again, however, at the moment it appears unlikely that the Soviet Union would seek to block the Straits, for the same reasons that limit its position in the Gulf itself. And it is the expressed intention of Iran and other Gulf states to provide whatever naval presence could ever be required to guard the Gulf. This is, of course, reason for sale of some naval arms as part of continuing vigilance; however, the proper limits of that buildup must also be seen in terms of problems and criteria presented below.

Psychologically, if not militarily, a growing Soviet naval force in the Indian Ocean could increase anxieties in the West about the shipment of oil from the Gulf through the Indian Ocean to ports around the world. Partly to meet this contingency, the U.S. government has now begun developing its base at the British Indian Ocean Territories island of Diego Garcia. This buildup is ostensibly a response to increasing Soviet deployments in the Indian Ocean and their use of facilities in places like Berbera in Somalia.

Many observers, myself included, have argued that an overreaction by the United States to this situation is more likely to bring on a strong Soviet response than would the exercise of caution. At the moment the combined naval forces of the United States, Great Britain and France in the Indian Ocean far outclass those of the Soviet Union; more shore facilities are available; and the United States has an afloat-support capacity the Soviet Union could not match in this decade.

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Instead of proceeding with Diego Garcia, thereby risking a major naval arms race that could have an impact in the Gulf, we should first seek to open negotiations with the Soviet Union, to try limiting both sides' military deployments and facilities in the region. (This year Senators Pell, Javits and I introduced legislation to this effect.) Certainly, neither the United States nor the Soviet Union has an interest in an uncontrolled naval arms race in that part of the world. And for both sides it might also be politically costly in the region itself. Indeed, all 29 littoral states have endorsed the goal of making the Indian Ocean a "zone of peace"; widespread opposition to the naval presence of outside powers has been most strongly expressed in the Gulf; and any negotiations seeking limits on the deployment of outside naval forces in the Indian Ocean or in the Gulf would undoubtedly be widely supported.

In the process, it would also be worthwhile for America to withdraw her tiny and virtually ineffective Middle East Force, in order to discourage a Soviet reaction, to demonstrate our support for local assertions of control over Gulf waters, and to show our willingness to work constructively with these nations on matters of security.

In sum, the possible role of the Soviet Union in and near the Gulf does not at this time indicate the need for a major buildup of arms and military potential, either by local states (despite Iran's lingering concerns) or by Western powers. If the Russians should seek to increase their military presence in the region or their threat to the West's oil supply line, we can deal with that challenge, both locally and in the broader framework of détente, when it really begins to emerge, avoiding in the meantime actions that could help stimulate the very Soviet actions we seek to prevent.

IV

Western concerns about possible direct Soviet threats to the security of the Gulf are now outweighed by concern about events within and among the local states. A period of political chaos within one or more Gulf nations, or of conflict between local states, could lead to disruptions of oil supply, despite continued economic incentives to produce.

Though the Gulf states differ enormously one from another, most have in common the existence of sharp internal divisions, often accentuated under the press of modernization and the impact of ideas and influence from the outside world. Of course, some Gulf states have offset pressures for internal change by embarking on programs of greater social justice, leading in some cases to welfare states.

Despite the tendency in the Gulf to believe that emphasis on arms

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and armies will help contain pressures for radical change, there is a danger that the reverse may be true. As we have seen in many other countries—most recently Ethiopia and Portugal—the development of armed forces to a level beyond that of the rest of society can itself increase pressures for the military to take a leading role in politics. In Iran, general economic and social progress may reduce this risk, but that situation does not apply in all other Gulf states.

It is not clear, therefore, whether the increasing flow of modern arms, and the accompanying increase in military forces, will help buttress current leadership, or may instead in many instances help set in motion a process of social change that itself will lead to political turmoil. At least, military modernization that is out of step with the modernization of society as a whole must be a risky gamble in the Persian Gulf. And a massive flow of arms could hasten the process, place the supplier states in the middle as supporters of the old regimes, and make the process more uncertain and more difficult to control for all involved.

In the short run, meanwhile, relations among the local states themselves are of even more pressing concern. The Gulf is an area of traditional rivalries and conflicts, with deep roots in ideology, religion (between Sunnis and Shi'ites), ethnic and cultural differences, territorial disputes, and endemic distrust of one's neighbors. Even the name of the Gulf is at issue: "Persian" on the Iranian side, and "Arabian" on the other.

Nevertheless, in recent months a remarkable series of events has indicated a desire on the part of virtually every state in the Gulf to sustain and improve relations with its neighbors. In March, Iran and Iraq took a major step toward ending years of enmity, when Iran withdrew its support for the Kurdish rebellion, and Iraq agreed to a division of the Shatt-al-Arab waterway. Saudi Arabia and Kuwait have since agreed to a division of the Neutral Zone; Saudi Arabia has resolved a number of disputes with members of the United Arab Emirates; there has been continuing support by a number of Gulf states for the Sultanate of Oman against the insurgency in Dhofar Province; and visits back and forth by leaders on both sides of the Gulf have signaled a degree of amity not seen in the region since the departure of Great Britain.

This mitigation of long-standing rivalries may of course be tenuous. Iraq's neighbors on all sides, for example, will continue to watch developments there; sudden changes have often overtaken that country. Furthermore, the current phase of amity is founded in large part on common economic interests. Good relations built upon OPEC's suc-

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cessful cartel action might quickly evaporate if the ability of OPEC to set world prices diminishes and the unity of the cartel is weakened.

Even more important, only Iran among Gulf states now has a clear sense of the direction it wants to take in the future. In Tehran, there is a firm and definite commitment to turn economic potential into political influence and military power, not just in the Gulf, but also beyond. As I was told during my visit to Iran in May, leaders of that country now see it as part of both the Gulf and West Asia, with wider interests and ambitions, extending even into the Indian Ocean.

So far, none of the other oil-producing states has yet approached a stage of development where it could seriously hope to rival Iran. While Saudi Arabia and Iraq have sufficient oil resources, their development is bound to proceed slowly. Can Saudi Arabia, for example, achieve its five-year, $150-billion development plan, in view of the difficulties of rapidly building an industrial infrastructure and developing human resources? Saudi Arabia's small population (about five million people) is a built-in constraint; and even importing a million or so "guest workers" could not give it a real chance of rivaling Iran in economic development for years to come. Iraq, meanwhile, is many years behind Iran in development, and, despite a population larger than that of Saudi Arabia (eleven million), it has traditionally been more subject to coups and internal disruptions.

Even if Iran thus seems sure to remain by far the strongest power in the Gulf in terms of population and economic strength, it does not follow, unfortunately, that other Gulf states will not seek to compete with Iran—or with each other—in the building up of modern military forces. The worldwide trade in arms has so far ensured that any country with money can acquire the latest in military technology—limited only by the capacity of nations to develop or import the manpower to use and service equipment, and to supply and command forces. We have seen in many countries that concentrating on the development of military forces can lead to significant capabilities, even where the rest of the economy and society lag far behind. Certainly the presence of modern arms in large quantities can enable the importing nation to start a conflict—by accident or design—thus causing disruption and high levels of casualties, even if the military advantage lies decisively on the other side.

Will Iran's neighbors accept its leadership, or seek to challenge it through competition in arms—even if other areas of competition are virtually closed? A modest challenge already seems to be developing, and it is fed by recurrent speculation around the Gulf about the possibility of Iranian ambitions toward other oil-rich states, as its own

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oil reserves begin to dwindle. Certainly, despite the Shah's recent approaches to his neighbors, there is still a keen awareness in neighboring Arab states of Iran's continuing role as Israel's principal source of oil, as well as memories of Iran's seizure of three Gulf islands, Abu Musa and the Tumbs, in 1970.

That a regional arms race is an acute threat is shown by the dramatic growth in individual military budgets since 1970:

MILITARY BUDGETS OF PERSIAN GULF STATES
(in millions of dollars)

	Iran	*Iraq*	*Saudi Arabia*	*Kuwait*	*Bahrain*
1970	961	477	213	88	3.5
1971	1351	509	236	103	3.7
1972	1847	509	674	108	3.7
1973	2452	558	988	132	4.5
1974	5694	1024	1515	389	7.0

SOURCE: Agency for International Development: Statistics and Reports Division, Office of Financial Management.

In any event it is hard to foresee the Gulf states becoming heavily armed without this leading to new definitions of relations among them, new ambitions, new points of friction—and an escalating arms race. The more heavily armed the various states become, the more likely it is that small disputes will be exacerbated by the presence and possible use of modern weapons. In some parts of the world, a balance of arms can help confer stability—as in Europe, and at times even in the Arab-Israeli conflict. But for this several conditions are necessary: among these, for both sides the performance of weapons must be related closely to the ability to command and control them. Weapons must not be so powerful or distances between contending military forces (or cities) so short that the nation striking first could gain a decisive advantage, for this could lead to hair-trigger reactions and even war by accident.

In few countries of the Gulf do any of these conditions for a stable balance of military power exist; and all of these conditions exist in no local state. Command-and-control arrangements tend to be poor, according to standards of other countries using similar high-performance equipment; the terrain along the Gulf is generally flat and the distances between possible adversaries short—while the equipment being introduced is of a standard suitable for areas like Europe, with greater distances and natural obstacles.

Therefore, an arms race between different Gulf states—or even a leveling-off at high levels of armament in several countries—contains built-in risks of increased political tensions or even conflict, by accident or design. And the risk will increase if the flow of arms into the

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area proceeds faster than the development either of the ability to exercise command and control, or of firm understandings about the limits of political influence and dominance. Nor can we neglect the further danger that an uncontrolled arms race may not stop with conventional arms, but spill over into nuclear weapons.

When I traveled to the Persian Gulf last May, I found only a nascent understanding of these risks. In all three countries I visited—Saudi Arabia, Iraq and Iran—leaders spoke of their military requirements in terms of national security and defense. Yet I gained little sense that national leaders relate their own perceived military needs to military needs in the other states; that the leaders of any country have a clear idea of where their need for defense ends, and their neighbors' needs begin. Instead there seems to be a shared sense of confidence that arms levels can be built up much higher before any contradiction develops. Yet the problem has not gone wholly unrecognized. From time to time there has been talk in the Gulf of working out security arrangements in common—with Iran in the forefront of such discussion. And in July at the Islamic conference in Jidda, the Shah tried, though unsuccessfully, to secure limited agreement among the Gulf states on their approaches to security.

Even if the will to seek genuine limits on the flow of arms does gain currency in the Gulf, many practical problems will remain. How, for example, can these disparate nations define a balance of armaments, for either political or military purposes, that will be mutually acceptable? How will they decide to share influence—in effect leadership—insofar as the size and composition of military forces are concerned? How can they resolve the inherent problems of high-performance military equipment in the Gulf area? None of these questions have easy answers. And their complexity itself may retard willingness to seek cooperation on issues of Gulf security.

V

In an ideal world, all the issues raised in the preceding section might be met and resolved by Persian Gulf states themselves. Clearly, the major burden of defining security, of deciding how to dispose of billions of petrodollars each year, and of coping with the risks of military buildup must rest with the Gulf states. But the major oil-importing nations also have a vital stake. A chain of events that ran from local arms races to conflict among Gulf states (or to extremist regimes within individual states) would almost surely mean serious difficulties in the continued flow of oil—however short-lived. And in part for this very reason any substantial conflict within the Persian Gulf area car-

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ries a degree of inherent risk of confrontation between outside powers asked to assist one or another of the contestants. The only true "security" of the Persian Gulf lies in the maintenance of a condition of peace and stability.

In the light of this analysis, do American and Western arms sales promote our national interest in true political and military security, or do they work against that security—by increasing the risks of rivalry, instability (within or among states), conflict, and hence stoppages in the flow of oil? I do not suggest a categorical answer, but surely there are enough negative factors to give us pause.

Certainly, in the United States we need a much clearer understanding of the factors involved in this arms trade. It was to this end that I introduced legislation this year in the Senate to impose a moratorium on U.S. arms sales to the Gulf: not to decide that issue once and for all, but rather to secure for Congress, at long last, an explanation by the Administration of its objectives and policies in the Gulf. The Nelson Amendment has now given Congress 20 days in which to disapprove individual arms sales of $25 million or above to any country. But more is needed to give Congress an overall sense of U.S. objectives and policy. Under the moratorium proposal, upon Administration presentation of these objectives and policies, and congressional approval, the moratorium would be lifted, to permit that level of arms sales deemed appropriate during the policy review.

Is there, then, some magical change in policy that would avoid the problems of difficult, continuing choices? Again, I think not. It might be desirable to have a hard and fast rule to live by, but no such rule exists. The very existence of unanswered questions about the future of the Gulf's political and military security—posed earlier—dictates that U.S. policy itself cannot be rigid and unyielding: there may even be circumstances in which an *increased* flow of arms to particular countries would be appropriate. Yet the dilemmas implicit in the search for Gulf political and military security—and dilemmas in U.S. involvement—require that we at least develop some guidelines for action, while we join with local states in trying to answer more basic questions about the political and strategic future of the Gulf.

I suggest seven such guidelines:

First, we should be wary of the notion that the sale of arms is an effective way to buy influence with individual states in the Persian Gulf. At the very least, experience in other parts of the world—notably in Southeast Asia—should help us understand the wisdom of seeking to keep our distance in an arms relationship.

Moreover, with the manifold commercial and economic ties de-

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veloping between the West and the Gulf states, it is hard to understand why the search for influence should include such a heavy emphasis on the military realm. It is one thing to respond to real security needs accepted by both sides; but a false note creeps in if a substantial part of productive relations is based on meeting requests for armaments that go beyond such needs.

Nor should we automatically accept an assertion by local leaders that the maintenance or improvement of relations depends on virtually unlimited sales of arms, where this conflicts with our own evaluation of the risks involved. For example, there are real risks in seeking moderation toward the Arab-Israeli conflict, in countries like Saudi Arabia, through the supply of arms that could create problems both in the Gulf and in the Arab-Israeli conflict itself. And efforts to promote cooperation between Iran and Saudi Arabia in regional security, as the pillar of our position in the Gulf, hardly square with levels or types of arms sales that could help bring the two into conflict with one another.

At the very least, the orientation of the United States should be shifted significantly, to emphasize commercial and economic involvement (where until lately the United States lagged well behind other Western nations). "Influence" is more durable if it is a two-way street; and when the nature of interests tying the West together with the Gulf states is so heavily weighted in terms of economics, there should be strong incentive for both sides to promote these interests in their own terms.

Will any nation actually reduce the volume of oil it sells us if we limit the sale of arms as a form of payment? Will we turn the terms of the oil trade against ourselves by using good judgment in arms sales? By contrast, will the price of oil come down if we open wide the floodgates? To none of these questions is the answer likely to be yes. In fact, the uncertain relationship between arms sales and influence—or good relations—may be illustrated by a current example: that the United States is finding a new receptivity in Iraq that we should build upon, especially in commercial transactions (such as modernizing seaports near Basra), although we do not now sell arms to that country and are unlikely to do so in the future.

Similarly, it is doubtful that our supplying arms to Persian Gulf states will give us significant influence, much less control, over the way in which these arms are used. The record elsewhere—in India, Pakistan, Turkey—offers no comfort. Nor is it clear that U.S. arms shipped to one country will not end up in another, including Arab states in confrontation with Israel, despite agreements requiring State

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Department approval prior to any third-country transfers.

It is often argued that the sale of arms creates dependence, for more arms and for spare parts. During a protracted conflict, the nature of the supply relationship does confer some leverage. Yet is any war in the Persian Gulf region likely to be protracted? And does the initial supply of arms make such wars less rather than more likely? In both cases, for reasons presented earlier, the answer is likely to be no.

Second, we in the United States should seek to understand and limit the role that we play in the definition that any Gulf state makes of its own military security needs. For many years, we have had large military missions in both Saudi Arabia and Iran that have provided training in U.S. weapons as well as other services, such as those performed by the Army Corps of Engineers in Saudi Arabia. In themselves, these Military Assistance Advisory Group (MAAG) missions have not necessarily led directly to increased arms purchases. We are often told, for example, that American military personnel in Iran for years counseled that government to restrict its military and naval buildup in the interests of economic development—that MAAG personnel actually retarded the flow of arms.

Nevertheless, it is hard to believe that the appearance of U.S. military personnel does not reinforce the message that a strong and visible military establishment is part of the coin of national power, whatever a nation's particular needs for military security. A nexus of close relations between Persian Gulf governments and U.S. military personnel —whether working for the government or private contractors—cannot help but increase the incentives local leaders have to see problems of security first and foremost in military terms. At the very least, the Defense Department should cease its involvement in arms sales, with the State Department putting policy before Defense's military response.

Third, we need to make our own independent assessments of the military needs of Persian Gulf countries, and of potential contradictions involved in the supply of arms to different countries. This guideline, already outlined in the Foreign Military Sales Act, is not easy to follow, particularly when the level of arms in the Persian Gulf is already escalating. Furthermore, the nations in the region are arming for highly diverse purposes, often outside the Gulf itself. Iraq, for example, has also armed for internal reasons (until recently including the Kurdish rebellion), plus its disputes with Syria and sometime involvement in the Arab-Israeli conflict. Saudi Arabia has a continuing concern with South Yemen. And as discussed earlier, Iran sees a host of potential threats, including that from the Soviet Union.

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Regrettably, too, the United States itself has risked stimulating Persian Gulf states to emphasize their military security needs through misguided threats to use military force in the Gulf. However problematic these threats are, however contingent on our being "strangled" economically, they tend to increase incentives in the Gulf to build up arms, while complicating our problems of forging productive relations in the area. I was in Saudi Arabia when Secretary of Defense Schlesinger renewed the thinly veiled threats of military action. Based on my conversations with Saudi, Iraqi, and Iranian officials, it is clear to me that these comments gained us nothing, while risking increased pressures both to buy more arms and to resist cooperation with the United States on the price and supply of oil. Fortunately, President Ford wisely rejected military confrontation.

Fourth, we in the United States need to separate how we pay for oil from our policy on arms supply. It is clear that selling billions of dollars worth of arms each year is a significant offset for our oil account with these nations. But just as clearly the price is not worth it, if we are only buying an increased risk of tensions, instability, and even conflict—conflict from which we could only with difficulty remain aloof.

If trying to solve the problem of recycling petrodollars requires us to sell high levels of arms—and leads some Gulf states to continue spending ten percent or more of their oil revenues on arms—then it is clear that neither we nor they have begun to come to grips with the recycling issue. Indeed, we should recognize that the desire for arms on the part of Gulf states may be an added incentive to keep the cartel oil price high.

We must also resist the temptation to lengthen the production lines for our first-line military equipment by selling it abroad. We do indeed reduce the unit cost of arms to our own military forces through foreign sales. But in doing that we are only distorting the picture of the true cost of our own defense, and building in a hidden "cost" that could even be paid for in American lives. Since we do wish to have adequate defenses, we should certainly pay for them; but not by running additional risks for ourselves and others in pursuit of what would surely be a false economy.

These first four guidelines seek to deal with the problem of short-run moderation and good judgment. It remains to consider the kind of steps the United States might take to bring about a better long-term situation. To this end:

Fifth, the United States must work directly with Persian Gulf nations, individually and on a regional basis, in seeking to reach common

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understandings on the future of Gulf political and military security—both within and among states. It would be best if developing regional security arrangements could be left to the local states themselves; and in time such a process may get under way, despite the tentative failure this July. But by then the level of arms may have made the problems almost impossible to solve. Moreover, with the improvement in relations among the Gulf states in recent months—and the signs that some, at least, have overspent their oil revenues for the moment—now may be a good time to move in this direction. Even if it may be safer to sell arms when conflict seems remote, we should seize that opportunity to work for the control of arms, not their unlimited expansion.

Sixth, the United States should begin now to try working with both sellers and buyers of arms on the control of sales to Gulf countries. This should be done while there is still time—before today's arms *orders* are fully translated into arms *deliveries*. No country anywhere should have a valid national interest in an uncontrolled influx of arms continuing into the indefinite future. All Western supplier states have a stake in the flow of oil; and even the Soviet Union, with its much smaller stakes in the region, is unlikely to benefit from conflict so near its own borders.

So often we are told that other seller states will not join with us in limiting the sale of arms to the Gulf, and I have already discussed the size of their involvement. Most obviously, however, there are no indications that this approach has ever been tried; it is condemned as unworkable before being tested; and too little attention is paid to the interest that other oil-importing, arms-selling countries also have in Gulf security.

Of course, we in the United States would have to weigh the dangers of an uncontrolled series of arms races in the Gulf against the costs of convincing other Western supplier states of the wisdom of joining with us in arms limitations. For them, selling individual weapons systems abroad may be quite important in reducing costs to their own armed forces, and they face needs much greater than ours for expanding exports in the face of rising oil prices. As a result, we cannot see the problems of Persian Gulf security apart from overall issues of Western economic performance and management—including the recycling of petrodollars—or apart from Western competition in arms elsewhere, including the arms markets of the NATO alliance. Only if we are prepared to see and solve these problems, together, can we hope to solve any one of them.

It will also be important to relate attempts to control the sale of

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arms in the area to particular interests of the Soviet Union. So far, the Russians have shown no concern with problems of arms in the Gulf states, and it may not be possible to induce them to join in arms control efforts, and to forswear opportunities to continue pursuing influence in places like Iraq—whether real or chimerical—as they have done through arms supply elsewhere. Yet there may be a greater chance of getting Soviet cooperation now than there was a few years ago, before the last Middle East war drove home again the risks of any superpower confrontation, and when Moscow's position in Egypt seemed to confirm the value of adhering much more rigidly than now to a policy of "no war, no peace" in the Arab-Israeli conflict.

The problem of Soviet cooperation is linked to that of limiting the sale of arms to the Gulf from any supplier nation. And ultimately the prospects for arms control depend most critically on attitudes of the local states themselves. No agreement among supplier states can be effective if it goes against the interests and determination of the buyers. If we unilaterally ceased our arms sales, they would surely turn to other suppliers, and perhaps even to the Soviet Union, despite ideological differences. This fact increases the need for the United States to work with the local states, not against them, in trying to promote sense and sanity in the region.

But on the other hand, arms control has a chance to succeed if the local states see it to be in their common interest. If that common interest is widely recognized, then efforts of any seller state to disrupt arms-control efforts would have less chance of success.

Pursued with wisdom and patience, this approach to arms control need not be an encroachment on the sovereignty of any Persian Gulf state, nor an affront to national dignity and independence. Rather it can be a support for national aspirations, through bringing individual governments into close dialogue with major industrial powers and each other, and through reducing the risks of increased tensions and conflict in the region, and perhaps within individual Gulf states. The outcome of an arms-control process could still leave Iran in a dominant position—indeed, that may be a requirement of getting the process started at all. But as we explore with all local states the risks of not having arms control, they may find a large measure of Iranian leadership to be more acceptable, while Iran may see the wisdom of moderating its own ambitions.

Finally, we must face the prospect that the flow of arms to the Persian Gulf may not stop with conventional weapons. It is increasingly unlikely that traditional inhibitions on building nuclear weapons will hold much longer unless serious efforts are made to reduce

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sources of conflict in various parts of the world, and to regulate conventional arms races between powers that have the ability to produce the bomb. Nor can we hope to impose a firebreak on the search for national prestige through arms, at the point when the nuclear decision is reached. Only if we deal with the question of prestige-through-arms at every level can we have real confidence of controlling it at the nuclear level, as well.

It is sometimes argued that selling other countries all the conventional arms they want is a good way of restricting development of nuclear weapons: countries frustrated in buying the one, we are told, may reach for the other. Yet any intelligent approach to controlling the sale of arms can negate this argument: if arms control at any level genuinely contributes to political and military security, then incentives should be reduced—not enhanced—to escalate the competition in arms.

Inhibiting the introduction of nuclear arms into the Persian Gulf will require other efforts as well. We should welcome the proposal of the Iranian government to make that region a "nuclear-free-zone"—partly reflecting Iran's conventional military superiority—while pursuing other steps in a sound nonproliferation policy, including much more forthright efforts to end the Soviet-American arms race.

VI

These seven guidelines for an American security policy toward the Persian Gulf do not answer every question, or resolve every dilemma. Iran, for example, may continue its scale of arming and ignore the potential benefits of moderating its ambitions, even if this leads in time to war with one or another neighboring state. But in the absence of any better approach for the United States—and for other seller and buyer states in the Gulf—these guidelines can help us begin thinking through our basic interests in the Gulf, before an indiscriminate sale of arms brings a host of new problems and takes the entire problem beyond our or others' control.

It is clear that much more is required, beginning with a forthcoming approach to the whole range of outstanding issues relating to oil, other commodities, and the restructuring of the global economy. At the same time, the Gulf region cannot easily be separated from the Arab-Israeli conflict. Not only is there the inherent danger that arms shipped to one country can end up in another despite legal restrictions; as the conflict continues, Washington may be tempted to put greater emphasis on arms sales to Gulf Arab countries in order to promote moderate policies toward the Arab-Israeli conflict; impatience

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with the United States may grow, making it less likely that we can counsel restraint in arms buildup; and there will be a greater tendency by the non-confrontation Gulf states to militarize approaches to the Arab-Israeli conflict, either through their direct involvement or through providing more petrodollars for arms purchases.

For the United States, therefore, there can be no diminishing of the effort to seek a resolution—whether interim or permanent—of the Arab-Israeli conflict. While we can and must keep separate the issues of oil politics from our approaches toward peace in that conflict, we cannot ignore the dangerous linkages that increasingly exist in the minds of local leaders between arms in the Gulf and either the potential involvement of these states in directly opposing Israel, or the possible role of arms in sustaining an oil embargo in the event of Arab-Israeli war. Nor can we ignore the risk that Iran's increasing desire for leadership in the Gulf, and good relations with Arab states generally, will lead it to abandon its dual role in supplying oil to Israel and in remaining aloof from any Arab oil embargo.

VII

We face one final challenge. For as we look ahead a decade and more, it may be difficult to foresee with much accuracy the balance of influence and power that will exist in the Persian Gulf. Yet we can see the opportunities for the United States to play an effective role in helping to influence what will transpire in that region, provided that we neither abstain from great events that directly concern us, nor risk deeper involvement by opening the floodgates of arms.

The complexion of events in the area may change radically: through a potentially changing balance in world energy supply; new governments and a new generation of leaders in several Gulf states; an evolution of Soviet policy throughout the region and the Indian Ocean that could increase Russian interest in the Gulf (especially if superpower naval arms control fails in this region); a possible (if remote) resolution of the Arab-Israeli conflict; changes in the subcontinent from Afghanistan through Pakistan to India; and the gradual restructuring of the global economy.

Our final challenge therefore lies in trying to influence the evolution of states in the Persian Gulf, as they exploit their new-found wealth and power, away from a sterile repetition of the experience of so many countries. We are finding in the West that other factors besides military power are of increasing importance in meeting the pressing issues of our age—while we must still meet the demands of maintaining the basic balance of military power with the Soviet

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Union. Increasingly, we are faced with the need to adapt to economic change, to see the growing importance of economic power in its own right, to meet threats to "peace" in terms of economic conflict. In all of these great developments, the states of the Persian Gulf will be directly and closely involved.

Can we help them to skip the intermediate step of defining their power and influence in military terms? Can we help them to see the immensely greater benefits of seeking their place in the world mainly through economic and political potential? For us in the Western world—and particularly the United States—this will require a serious and sustained effort of leadership in the Persian Gulf, as well as the force of our own example, including arms control with the Soviet Union. It will require us firmly and forthrightly to base our relations in the Gulf primarily on mutual economic interests, and to adopt a far more forthcoming attitude on economic cooperation, as an essential *security* objective in the Gulf. But to undertake that effort we must first check our present course of wide-open arms sales in the Gulf, and begin setting the standard of sanity and good sense that can lead these nations, as well, to see their role in the world in terms that will mean most to them and to nations everywhere.

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A NEW TAKEOFF FOR INTERNATIONAL AIR TRANSPORT

By Andreas F. Lowenfeld

CIVIL aviation—especially international civil aviation—is in deep trouble. Everybody knows this, and everybody who has thought about it has some favorite explanation: excessive expansion and premature conversion to the jumbo jet; the decline in the value of the dollar relative to European currencies; the energy crisis and the high cost of fuel; the worldwide economic slump; excessive growth of charter services; the rigid mechanisms for international rate-making; excessive (or inadequate) subsidies; too much competition, in terms of price or services; arrogant or complacent airline management; discrimination by governments against foreign carriers, especially those of the United States; violation of the basic rules governing international civil aviation; excessive adherence to those rules, and so on. The difference between aviation and, say, textiles, shipping, or nonferrous metals is that aviation directly engages the prestige, the fascination, and the "national interest" of almost all the countries of the world. International aviation is thus not just another problem in a changing international economic system, though it is that; international civil aviation is a serious problem in international relations, affecting the way governments view one another, the way individual citizens view their own and foreign countries, and in a variety of direct and indirect connections the security arrangements by which we live.

Therefore, it is surely time to reexamine the overall structure of international agreements that governs the airlines of the world. Is this structure, created in the context of postwar reconstruction, still adequate, or is a major overhaul now required? The thesis of this article is that developments in the past decade have undermined the postwar agreements, to the point where their most basic features now need to be drastically revised.

II

The importance of aviation to the reconstruction of a peaceful

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This article is the outgrowth of a series of meetings held at the Council on Foreign Relations, designed to bring together a variety of persons from government, the aviation industry, the traveling public, and the economics and legal professions, to address the problems of international civil aviation. The article reflects many of the ideas developed and suggestions made in the course of those meetings, but responsibility for the conclusions is solely that of the author, and not that of the Council or the members of the discussion group.

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world was recognized by the allied powers while World War II was still in progress. As early as October 1943 the British government held a Dominion and Empire conference on civil aviation, and in September of 1944 the United States invited all members of the United Nations to participate in an international conference on civil aviation. That conference convened in Chicago in November 1944—about halfway between the Bretton Woods Conference on monetary and related problems and the San Francisco Conference that would write the U.N. Charter.[1]

The Chicago Conference, like Bretton Woods and San Francisco, created an institution, the International Civil Aviation Organization. ICAO—which shortly became a specialized agency of the United Nations—has functioned quietly and well on technical matters connected with aviation—safety, navigation, air-worthiness standards, and the like—and more recently has addressed such problems as noise, accident compensation, and hijacking. But it proved impossible for the 54 countries represented at Chicago (the Soviet Union was invited but did not attend) to agree on an economic regime to govern the world's civil air transport system, and so ICAO never became an economic regulatory institution like the International Monetary Fund or the General Agreement on Tariffs and Trade.

Then, in the spring of 1945, 31 scheduled airlines—many represented by persons who had been observers or delegates at Chicago—assembled in Havana to organize the International Air Transport Association (IATA). Their principal purpose was to tackle one of the problems that Chicago had failed to deal with—that of fare and rate structure.

In the following winter, aviation officials from the United States and Great Britain met at Bermuda to give their blessings to IATA and to work out a solution for the other problems that had been left unresolved at Chicago—routes and capacity. Thus, by the beginning of 1946, the postwar system to govern international civil aviation had emerged, based partly on some general principles affirmed at Chicago, partly on airline cooperation within IATA, and partly on a series of bilateral intergovernmental agreements modeled on the agreement between the United States and Great Britain reached at Bermuda in February 1946.

[1] The debate that surrounded these early discussions is reflected in five articles that appeared in *Foreign Affairs* in 1943–46: Edward Warner, "Airways for Peace," October 1943, p. 11–27; Sir Frederick Handley Page, "The Future of the Skyways: A British View," April 1944, pp. 404–12; Edward Warner, "The Chicago Air Conference: Accomplishments and Unfinished Business," April 1945, pp. 406–21; John C. Cooper, "Air Power and the Coming Peace Treaties," April 1946, pp. 441–52; John C. Cooper, "The Bermuda Plan: World Pattern for Air Transport," October 1946, pp. 59–71.

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The Bermuda plan was essentially as follows: (1) The parties exchanged rights to designate one or more airlines to operate scheduled services over stated routes between the two countries. Usually the route exchange also included the right to make intermediate stops, and to continue beyond the terminal to specified points in third countries. (2) The parties agreed to recognize each other's documentation of aircraft and crews, to obey each other's health, customs, immigration, and similar regulations, and to settle disputes by consultation and arbitration. (3) Capacity would be subjected to the so-called "Bermuda principles," the effect of which was to leave decisions on the number of flights and the equipment needed up to the management of each airline, subject to deliberately vague guidelines and minimal review by governments. In theory there could be "ex post facto consultations," but since the facts always changed for next year, the understanding and practice were that capacity would be essentially unregulated. (4) In contrast, fares would be strictly controlled, in the first instance through IATA, with a complicated backup control mechanism should IATA fail to agree.

Having reached agreement along these lines with Great Britain, the United States insisted on making precisely the same agreement with all other countries (except of course for the routes)—eventually over 50 substantially identical bilateral air transport agreements. Essentially, the Bermuda principles paralleled the approach to airline regulation within the United States, where routes and rates are also controlled but capacity is not, and where within these confines competition between carriers is encouraged. Beyond this the Bermuda arrangement was in many ways similar to the other international arrangements designed by the United States for a war-torn world. It reflected American optimism that the world economy, and with it international travel by air, would grow and keep growing; it reflected American devotion to most-favored-nation treatment; and it reflected America's confidence in the judgment of business managers.

It is hard to tell in retrospect how much real consensus there was on these matters, and how much the postwar aviation settlement simply reflected the economic and political realities of the time—a war-ravaged world in which only the United States had money, airplanes, and large numbers of potential travelers. But as it becomes clearer that a fundamental reappraisal is needed, it seems worthwhile to set forth the basic assumptions concerning international aviation, as developed under American leadership just after the war:

—International transportation by air would be offered predominantly by major international airlines, performing scheduled services

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on the basis of individual ticketing.

—Among the Europeans, each country would have one major international airline, though some countries, such as the Scandinavians, might pool their resources, and others, such as Germany, Italy and Spain, might be delayed in mounting major international operations. It would not matter whether airlines were owned by the governments, as in many European countries, by private shareholders, as in the United States, or by a combination of state and private ownership, as in Holland or Switzerland. Airlines would not be multinational corporations, however, in terms of ownership or organization, but would be owned by the state or citizens of the state whose flag they flew.

—The right to conduct airline services would be negotiated in bilateral—not regional or multilateral—agreements. Nearly always each country would obtain the right to designate a carrier to operate over the routes specified, so that at least two airlines (one from each country) would connect each pair of points.

—Fares were seen as more interdependent than routes, and the basic control mechanism, IATA, would function on a global basis. Since it was feared that the American carriers, geared to high volume, low markup and efficient operations, would seek to establish lower fares than the Europeans (and others) could keep up with, rate-making in IATA was based on unanimity, subject to governmental approval and the residual governmental powers provided for in the Bermuda agreements.

—At the outset, air transport was a luxury service, based on "first class" travel and up. Gradually tourist and later economy class became the basic services offered. It was always assumed that while airlines could compete in advertising and in the quality of their ground and cabin services, there would be no competition among carriers with respect to the level of services offered, except if one airline had an airplane that the others did not yet have. Lunch, dinner, drinks, movies, luggage allowance, travel agents' commission, width and pitch of seats—all were standardized and, it was believed, had to remain that way. In other words, airlines as a group could compete with steamships, stay-at-home vacations, and other uses for the leisure dollar; airlines could compete with one another for the other end of the line, one advertising Rome, another Paris or Israel or Ireland. While airlines were also expected to compete with one another for traffic over the same route, the firm assumption was that prices on that route would be completely uniform and service very nearly so.

Though not all of these assumptions were recorded in formal documents, each of them was understood and accepted by all members of

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the international aviation community. There were also some other elements of the original understanding, not universally shared and seldom articulated, that must be mentioned for a balanced perception of the international air transport system, as it was created and as it has evolved over the past three decades.

—The bulk of travelers across the Atlantic and also across the Pacific, to Asia, and to Central and South America, would be citizens or residents of the United States—something on the order of two-thirds across the North Atlantic. Gradually, the foreign carriers would achieve parity in terms of passengers carried, but if the market continued to expand, everyone would be content. While the laissez-faire approach of Bermuda was not to everyone's liking, none of the Europeans (or others) would make a serious effort to change the regime insofar as it touched the United States, as long as they could look forward to an increasing share in a rising market.

—The vast majority of aircraft—today something like 85 percent of airliners—and a comparable proportion of navigation equipment, ground controls, and the like, would be of American manufacture. The United States helped this assumption along—by technical assistance of various kinds, by domination of the technical committees of ICAO, and by low-interest loans from the Export-Import Bank. But it seems likely that even without such overt intervention, the United States aerospace industry, spurred by a large domestic market and ambitious defense establishment, would have dominated the field. Accordingly, even as balance-of-payments concerns began to occupy the United States in the 1960s, suggestions that tourist travel by Americans should be curtailed in some way were warded off by pointing out that the net effect of any savings in foreign exchange might be more than offset by the decline in the market for American commercial aircraft.

—The most elusive assumption, recollected in different ways by different participants, was the national security aspect of the civil aviation system. Certainly the postwar system grew up with the fresh memory of thousands of American and Canadian troops and tons of critical supplies airlifted to Europe, and later to the Pacific. The Berlin blockade in 1948 focused renewed attention on the potential for aviation to keep beleaguered areas in contact with the outside world, and the "fall" of Czechoslovakia in the same year made some people in Western Europe and the United States realize that the need might again arise to move troops and supplies over long distances in a short time. The airplane made possible a compromise between maintaining massive American troop strength in Europe and relying excessively

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on nuclear deterrence, and the civilian airplane that could be chartered or requisitioned in an emergency made it possible to reduce the number of military transports held in unproductive reserve. How much these considerations affected the specifics of civil aviation policy is difficult to determine: at least they contributed to an essentially universal assumption that a large civil aviation industry was desirable, and that the United States should play a dominant role in the industry. Until quite recently, of course, the question did not arise whether the United States was prepared to undertake direct expenditures to preserve that dominance.

III

Had one looked back at the Bermuda settlement in, say, 1965 (as indeed committees of Congress did from time to time) one would have had to be pleased with its results—not in every detail but in overall effect. European (and other) airlines had been enabled to catch up with the airlines of the United States, but not really at the latter's expense. The lack of capacity controls had enabled the view of the American carriers and government to prevail over the skepticism of the Europeans. Bigger and better aircraft were continually coming on stream and there was a general downward pressure on fares (compared to other prices) as the purchasers of the new planes sought—for the most part successfully—to fill them.

Ten years later, in the context of economic stress, the Bermuda compromise looks very different. The first assumption to be shattered was that the scheduled carriers assembled in IATA could control fares indefinitely. In the spring of 1963 there was a showdown at high noon with the U.S. government, when IATA, backed by the European governments, increased fares (or rather reduced the round-trip discount) at a time that the Civil Aeronautics Board thought fares should remain level. IATA stood firm and won that fight, but at heavy cost. For the CAB's response—though never so stated explicitly—was to give a big boost to a new class of airlines which had not been thought about at all in the original understandings—the non-scheduled or supplemental carriers. First the Board, with the support of the Congress, granted permanent certificates to many supplementals, enabling them to receive financing for purchase of jet aircraft; second, it permitted so-called "split-charters" whereby groups as small as 40 were allowed to charter part of an airplane; and third, from 1966 on the Board permitted so-called "inclusive tour charters," whereby tour operators (i.e., travel wholesalers) could market vacation travel to the public at bargain prices, without requiring that the passengers

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belong to any club or pre-existing group. Supplemental transportation attracted millions of travelers from the United States to Europe, especially from the West Coast. The CAB, using the vocabulary (not to say concepts) that it had developed in domestic regulation, tried to fashion various distinctions between scheduled and charter services—such as requirements for affinity groups, requirements for ground services and multiple stops in package tours, and advance booking and down-payment conditions, all designed to encourage "creation" of new markets but to discourage "diversion" from the scheduled carriers. After a while the Board realized that the public didn't care two cents for any of the distinctions, and did not consider it to be cheating to work out a deal to fly at the same fare as one's neighbor. But as long as the overall market was continuing its straight-line growth, only sporadic enforcement was undertaken, accompanied by frequent tinkering with the rules. By the time the growth began to level off—just as the wide-bodied jets arrived—the market had been changed, probably irreversibly. A side effect was that while the share of international traffic carried by scheduled U.S.-flag carriers kept declining, the overall share of traffic carried by U.S.-flag carriers began to rise again, because the supplementals were predominantly American.

Among the European countries, several considered the idea of limiting or controlling charters—which were nowhere provided for in the postwar agreements—but as long as all the European countries were not united, only those countries that could count on a separate and distinct market, such as Israel, were able to avoid the charter problem. Another basic assumption of the international air transport system had been shattered: much of the tourist market, it turned out, was not a point-to-point market at all, but rather region-to-region. If one wanted to tour Europe in a rented car, for instance, or with a Eurailpass or by hitchhiking, it did not matter very much whether one flew to Paris or Brussels or Amsterdam. And within limits, it did not matter very much whether one flew on Friday the 31st or Thursday the 30th, or returned from the first gateway or from another one.

The response of the major airlines was interesting. After arguing unsuccessfully to the CAB that air travel was all one big market and that therefore expanded charter authority would be largely diversionary, the scheduled international carriers took the opposite approach in their own pricing policy. From a basic two-class fare structure, they developed in the late sixties and early seventies a schedule of fares so complicated that hardly anyone—carriers, travel agents or government regulators—could keep up with it. Excursion fares, shoulder and peak and directional fares, "group inclusive tours"

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(which were neither inclusive nor tours), and various fares calling for advance booking or payment proliferated, again with "cheating" almost universal and not perceived as wrong, and with virtually no relation between the fare paid and the cost of providing the service. The objective was to treat different demand elasticities differently, on the theory that the businessman who had to travel on short notice would be prepared to pay more than the employee with a fixed holiday schedule, who in turn might make a down payment or otherwise commit himself several months in advance. The result, often, was a reduction in yield per passenger not made up by a corresponding increase in the number of passengers carried.

In a sense one could say that price competition had come to international aviation, and particular countries and airlines became increasingly sensitive to the prospects of attraction or "diversion" of the potential tourist as the result of any given new fare proposal. But under IATA rules it was not possible for any single carrier or group of carriers to experiment with promotional fares, to see whether they created new traffic or simply diluted the yield from the same passenger who would have traveled anyway. IATA rules provided that if one carrier could offer a special fare all could, and unless all would do it none could. By the early 1970s, the basic economy fare on which the system in theory rests was paid by less than 20 percent of travelers across the Atlantic, not even counting the widespread rebates to travel agents that became ever more widespread as the ratio of fixed to variable costs of air services kept rising. Ironically, just as IATA finally decided to invite the supplemental carriers to join the club, Pan American became the largest international charter carrier; TWA was close behind, and many of the major European airlines either took up chartering themselves or developed subsidiaries to do so.

As load factors (i.e., the ratio of passengers to available seats) fell on scheduled services, profits declined and then disappeared altogether. The advent of the jumbo jets increased capacity, while traffic failed to increase at anything like the rates that had been predicted and assumed within the industry at the time the decision was made to move to the new generation of larger aircraft.

All these trends were most acute in the critical North Atlantic routes, which account for over a third of international air traffic, but which provide, for almost all the major airlines of the world, the "make or break" margins of profit and success. What has happened historically on the North Atlantic route can be seen in greater detail through a table of the principal operating statistics, lumping all the carriers together.

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NORTH ATLANTIC SCHEDULED PASSENGER SERVICE

IATA CARRIERS*

	A Passengers (000,000)	B Available Seats (000,000)	C Scheduled Load Factor ($\frac{A}{B}$ in %)	D Operating Profit (Loss) ($000,000)
1960	1.8	2.7	64.2	n/a
1961	1.9	3.7	51.7	
1962	2.3	4.4	51.6	
1963	2.4	4.9	49.1	
1964	3.1	5.3	57.5	
1965	3.6	6.4	57.1	
1966	4.2	7.1	58.8	
1967	5.0	8.7	57.5	
1968	5.3	9.9	53.3	70
1969	6.0	11.0	54.3	63
1970	7.2	13.0	55.3	2
1971	7.5	14.9	50.4	(99)
1972	9.5	15.9	59.6	(27)
1973	10.0	17.4	57.8	(130)
1974	9.3	16.0	58.2	(300) est.

* Compiled from IATA reports. North Atlantic traffic is defined as passengers carried in both directions between the United States and Canada on one side and Europe and beyond on the other side. It does not include traffic originating in or destined for Mexico and the Caribbean. Non-IATA scheduled carriers would add approximately 1–1.5 percent to the passenger totals.

In the face of the trends that were evident from 1970 on, one might have supposed that the airlines would move to curtail their services drastically and comprehensively. But no major airline was prepared on its own to do this, lest its competitors capture a greater share of the traffic. From time to time in the early 1970s carriers made efforts to fashion joint capacity restraint agreements. But these agreements—e.g., New York-London, New York-Rome, and United States-Switzerland—were ad hoc, short-term, and without any consistent formula. The CAB gave its approval, but with a bad conscience and in the expressed hope that overcapacity was a temporary phenomenon that would soon pass. The prevailing doctrine in Washington remained Bermuda—i.e., no predetermination and no interference by governments in matters of capacity.

Thus, even before October 1973 the basic Bermuda structure was under severe stress, and international aviation was a sick industry. The rise in oil prices of late 1973 simply dramatized and made far more acute the underlying situation. Pan American World Airways, long the pioneer and pacesetter in routes and equipment, lost over $80 million in 1974, its sixth straight year of massive financial reverses, and was forced into increasingly complex and burdensome credit arrangements which by their size alone lose their character as secured

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transactions. But Pan American was not alone. TWA also lost heavily in its international operations (roughly $46 million in 1974), Japan Air Lines, Alitalia and Air France incurred losses in the $80–$100 million range, and British Airways, Sabena, KLM, and Olympic, among others, also lost large sums, as did a number of the supplemental airlines. While a few carriers, such as Swissair and SAS, showed profits, in general the international airline industry showed an operating loss of about three percent before interest and taxes, on the basis of revenues of about $30 billion. From the traveler's point of view, fares, which had gone down overall between 1960 and 1970, rose in the early 1970s almost as fast as the consumer price index—in 1974 up to 30 percent on some routes. The American traveler saw, to his surprise, that Pan American had withdrawn from Paris and much of the Mediterranean, TWA from Frankfurt and the Pacific. Foreign airlines were making similar retreats—giving up, for example, hard-won routes to the American West Coast. As not only the United States but most of the non-communist world experienced for the first time the combination of inflation and recession, shortages and unemployment, an industry geared largely to the discretionary consumer seemed to be facing a situation quite different from that which its founding fathers in the 1940s had in mind.

IV

The key elements of the Bermuda settlement, as we have seen, were that rates would be controlled but capacity would be essentially unrestrained. Three decades later, it may well be that the reverse solution is appropriate. The suggestion here is that the United States should now take the lead in turning Bermuda on its head. With rates no longer subject to effective control, the United States should announce its readiness to negotiate restraints on capacity. Initially, the new American policy should focus on the North Atlantic routes, which lie at the heart of the present crisis, but the new principles should be suitable for extension to other areas to the degree necessary.

To a generation brought up on Bermuda, advocacy of capacity controls may come as something of a shock. Through thick and thin for more than 25 years, the United States opposed every form of prior restraint on capacity in air services, and avoided even ex post facto discussions of capacity as much as it could. But in the last five years the United States has ended convertibility of the dollar, abandoned support for fixed exchange rates, accepted trade preferences for developing countries, and seems about to embrace a general policy in favor of commodity agreements. Measured against these departures

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from the mid-century ideology, a shift in attitude on predetermination of airline capacity seems less than cataclysmic.

For the United States, administration of capacity restraints on air transport would be a new experience, and it is difficult to be precise about how the task should be carried out. The objectives, however, can be stated (though perhaps not achieved) fairly easily. The aim, shared by every industrial country and many developing countries as well, should be to preserve a stable system of scheduled international airline services, making efficient use of available equipment and fuel, at prices within the reach of tourists as well as travelers on business, and as far as possible free of subsidy.

Lest this formulation be thought of as too bland to be meaningful, it is important to note what it does not say. It does *not,* for instance, call for service by U.S.-flag carriers to as many places as were thought necessary in the system's formative years, when only U.S.-flag carriers had the resources necessary to provide a global transport network. It does *not* call for "double tracking" by U.S.-flag carriers, as was thought necessary in the 1950s as a protection against monopoly or a "chosen instrument" philosophy. And it does not even, as Bermuda assumed, require service by U.S.-flag carriers to every country whose airline flies to the United States. In short, the goal is a system of rational allocation of resources, in which each country has the opportunity to mount an airline commensurate with its strength and attractiveness to travelers. By this measure America remains a leader—indeed *the* leader—though not to the same degree as 25 years ago.

How, then, might a regime of capacity controls be organized? Suppose, for the sake of presentation, a bilateral negotiation, say between the United States and Great Britain, as at Bermuda. The two countries might agree to set target load factors at 65 percent (compared to current load factors over the North Atlantic at about 50–55 percent). They would then make a consumption estimate—say 600 passengers per day in each direction, or 18,000 per month. Leaving out for the moment the role of supplemental transportation, the number of seats to be offered at 65 percent load factor would be 27,700 per month in each direction. The two countries would then negotiate the share of these 27,700 seats to be offered by the carriers of each, based in principle on the performance of each country's carriers over a base period—say the preceding three years. The airlines would still compete with one another, because nothing would prevent the one with better service, or a more efficient sales force, or more effective advertising, from achieving higher load factors than the others. Indeed, nothing would prevent the airlines all together from carrying

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more than 18,000 passengers. But if all the carriers experienced load factors substantially in excess of the targets over a representative period, the consumption estimate would be revised and more flights would be permitted. Conversely, if the target load factors were not achieved, the consumption estimate and the number of flights (or seats) would be reduced. If, over time, one of the carriers significantly outperformed the others, the allocation formula could be changed, but this adjustment would not need to be made as often or with as much precision as the adjustment of capacity to demand. As long as the load factor target is not too high, the traveling public should rarely be inconvenienced. Meanwhile, the specter of empty jumbo jets crossing the ocean back and forth could be eliminated. In the long run, the savings in use of fuel and equipment would be passed back to the public in the form of lower fares and reduced subsidies.

The example chosen may be too easy, because the route between the United States and Britain remains heavily enough traveled to support large-scale services and probably to permit "tuning" of capacity even with jumbo jets. For service between North America and the European continent, it would probably be sounder to take a regional approach. One might, for example, arrange a capacity conference among the United States, Canada, Holland, Belgium, Germany and the Scandinavian countries, or among the North Americans and Spain, France and Italy, or variations on this theme. The basic technique would be the same, though the allocation problem would be somewhat more difficult. It would not be necessary to keep the same formula route for route, nor would it be necessary to maintain bilateral parity in all cases. For example, KLM and SAS have regularly carried far larger shares of traffic between the United States and Europe than has Pan American on routes to the Netherlands or Scandinavia; thus the allocation to KLM and SAS over those routes could exceed that to Pan American—but not by as large a margin as the recent record would suggest. In return for a smaller percentage share, KLM would have the prospect of a profitable run, not plagued by excess capacity. Alternatively, pooled or combined operations might be authorized as a compromise between wasteful duplication and insufficient service.

The first step in implementation of such an approach, probably, would be a general conference among aviation authorities in Europe, Canada and the United States, looking to agreement on the division into regions or conferences, and looking to agreement on a universal load-factor target subject to a stated margin for negotiation region by region—say plus or minus 10 percent. One region might well be

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used as an experiment, in expectation that the others would follow as one learned from the experiment. Ultimately, one can envision a permanent umbrella group to provide statistical and administrative support to such agreements—not quite a world CAB but something more than IATA as we know it today.

An important factor not yet discussed in our schematic illustration is the role of the nonscheduled or supplemental carriers. It is clear that the public wants the opportunity to fly at reduced fares for vacation purposes, and is prepared to pay in advance, fly with a group, and commit itself to dates and places (and often ground facilities) selected by a tour promoter. It is also clear that in large measure charter or other bulk transportation competes directly with conventional scheduled service for the same potential passengers. Thus, either the two forms of transportation must be separated—e.g., scheduled carriers only New York-Madrid, supplemental carriers only New York-Malaga—or allocation of the expected market must be made between them. To illustrate the latter suggestion, suppose the same 18,000 consumption estimate between New York and London as in the first example, but suppose further, an estimate that 15 percent of potential travelers would choose bulk transportation. Then the consumption estimate for the scheduled carriers would be 85 percent of 18,000 or 15,300, and the number of seats to be allocated at a 65 percent load factor would be 23,540. For the supplemental carriers, carrying predominantly large groups of passengers, the target load factor would be set, say, at 90 percent, and 3,000 seats would be allocated to them to satisfy a consumption estimate of 2,700.

A still different approach would be to classify routes as sheltered or not sheltered depending upon load factors achieved by scheduled carriers. If scheduled services by two or more carriers achieved the target load factors—or perhaps exceeded the target by a given figure —all restraints on supplemental transportation might be lifted; if target load factors were not achieved, limits could be placed on supplemental transportation. Of course, as in all commodity agreements —for that is really what is being proposed—each of the numbers, including the ratio between scheduled and supplemental transportation, would be a blend of scientific forecasting and political negotiation.

The mention of commodity agreements brings to mind at once the question of prices, and the fear that a restricted market could lead to unfair price management. Whether or not that would be likely to occur in the highly price-elastic air-travel market, it is clearly not acceptable as a political matter in the United States and elsewhere to attempt to control both supply and price at the same time. The trade-

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off, therefore—completing the reversal of the Bermuda settlement—should be relaxation of the rigid control of fares, tied to the experiment to control capacity. We have seen that capacity control could be based on some kind of target load factors. Actual load factors are, of course, related to the prices charged. One way to address the question of fares—though by no means the only way—might be to provide that if actual load factors in a given period exceeded the targets by more than x percent, more capacity would be permitted, but if the target load factors were not met, further reductions in capacity could be considered so long as prices did not rise by more than y. Expressly or by implication, there would be a target price range. But a target and a range, with freedom to vary the extras—meals, movies, baggage allowance, etc., as well as "special fares"—are quite different from the absolute uniformity forced (though often not enforced) under the present system.

Furthermore, detaching fares from the rigid Bermuda/IATA system would afford an opportunity to subject many elements of the price structure to a market test for the first time ever. Inflight movies, for example, were a big success when TWA introduced them, and were quickly copied by most of the other carriers, until the system imposed an arbitrary price for them. How much are they really worth, in terms of added revenues less costs? What about the relation of first class to economy, or the number of seats (and their width and kneeroom) in a given plane? What about the appeal on international runs of no-frill or "brown bag" or no reservations services? What about the difference in fare—reflecting a cost differential from the early piston days—between flights to one city and another? What is the real margin in terms of customer preference between bulk and individually ticketed fares? What is the real value of the retailer's (travel agent's) services—presently measured in terms of fixed commissions? And so on. It is not suggested that these questions be raised all at once. The point is that air transportation may well be more like department stores and less like telephone or electric companies than was imagined when the present model was built. It is worth trying to find out, and the promise of survival for the national representatives in the system through capacity controls and related devices may make it possible to do so.

V

The purpose here has not been to draw a blueprint for the future of the world's air transport system, but rather to call attention to the fact that the first major attempt to control an international industry

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is in deep trouble, and is in need of some imaginative leadership. There is no reason to believe that the assumptions of the 1940s remain more valid in aviation than they do in trade, monetary affairs, foreign aid or arms control. On the other side there is every reason to believe that civil aviation is as much a subject and object of international relations as it was in the early postwar period.

But what about the national interest, so often cited in discussions of international aviation—national defense, foreign relations, general prestige? No doubt a healthy civil aviation system is in some way a reserve asset for the defense establishment. A sick system, however, probably costs more to sustain than could be justified in terms of direct benefits to the military. Landing fields, navigation aids, and trained maintenance crews are far more widespread than they were three decades ago, and as we have had occasion to see recently, foreign bases under whatever auspices tend not to be usable when most needed.

But while defense and the need to ferry troops and supplies across the waters are peculiarly a concern of the United States, a prosperous air transport system is an almost universal goal. Every airline, in a quite direct sense, is a bearer of its country's prestige, and the guess here is that no country—including the United States—is prepared to strike its airline's colors. Thus the national interest, defined in terms of international movement of persons and goods, and in terms of prestige and reputation, is on this issue likely to be perceived quite similarly in nearly every country. Attitudes may differ on the relation of competition to control, of scheduled traffic to charters, or on principles of rate-making: practically everybody, one may expect, would be pleased to be shown a way to avoid having to choose between massive subsidies and massive retrenchment of air services.

For reasons of history, geography, law, and volume of business, it turns out that only the United States is in a position to initiate a movement to revise the regime of international air transport. For its part, the United States ought to welcome the opportunity to demonstrate in a highly visible area—much more comprehensible to the public than special drawing rights or non-tariff barriers—that it can lead even where it no longer dominates.

In welcoming the delegates to the Chicago Conference 31 years ago, President Roosevelt called on them "to write a new chapter in the fundamental law of the air." A similar call might well go out again.

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DICTATORSHIPS AND AMERICAN FOREIGN POLICY

By William P. Bundy

VIENNA in the prewar years produced a number of stories centered on a fictitious Count Bobby, normally portrayed as a dilettante bachelor getting into carefree scrapes. In one, however, he is married, and the Countess has gone to the hospital for the accouchement. Finally, as he paces the waiting room, a nurse emerges holding a large bassinet with not one but three infants, and tells him that the mother is doing well. At which Count Bobby screws up his monocle, inspects the bassinet, and replies (as told in English): "Ah, please present the Countess with my compliments and tell her that I take *thees* one."

From the earliest times the American Republic has had, I think, three basic objectives in its relations to the rest of the world. First, its sheer physical security against attack, within the boundaries that developed over time. Second, an international environment in which the United States can survive and prosper. And third—the vaguest of the three but still inescapable—that the United States should, by example, or action, or both, exert influence toward the spread of more representative and responsive governments in the world; as Archibald MacLeish reminded us in Boston last April, America (not just Boston) has always been "the City on the Hill," from which should radiate a new conception of how men could live together and govern themselves.

These, then, have been the triplets to which our Founding Fathers gave birth—the third unique, at least in degree, to the United States. How have we fared in history, how do we fare today, in keeping the needs of all three in some sort of proper balance?

II

In the practical actions of the Founding Fathers, the third of these objectives can be said to have been, surprisingly perhaps, the runt of the litter. In the War of Independence—for survival really—no one caviled when Benjamin Franklin managed to get decisive foreign help from a France ruled by an absolute monarch. True, Jefferson and others were delighted when France entered her Revolution—and

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rightly ascribed some of that Revolution to the American example. Divisions of opinion centered on the French Revolution helped to create the Federalist-Republican split, but in the end the policy effect of the division largely dissolved in the farce of Citizen Genêt and the outcry over the XYZ attempt at bribery—for Americans, then as now, could become almost as outraged over corruption abroad as they could over lack of democracy or human rights. The advent of Napoleon—prototype of the modern dictator—aroused no strong indignation among Americans, and in the wars that bear his name America finally threw her modest weight into the conflict effectively on the side of a military ruler seeking to dominate the whole of Europe.

One should not criticize. We were smaller then, and for new and struggling nations first things come first. It is a point we have not always appreciated in recent times.

With the Monroe Doctrine, the choice was simpler. Protecting the international environment of the Western Hemisphere coincided with a modest urge to confound the absolutist rulers of the Concert of Europe, and most basically with strong sympathy for the liberation movements that were taking hold in Latin America. Yet, I venture, it was still security that came first: when liberated countries fell under the control of absolute rulers—or what would today be called military juntas—we felt no urge to act or even to remonstrate. And in one such case, in Mexico, we took advantage of just such flaws to justify a fairly naked war for territorial expansion.

So right to the end of the nineteenth century, though the idea of America-as-example burned bright—never has it been more notably expressed than by Lincoln—in the practical world of foreign policy American Presidents dealt with other nations as they came, buying land happily from absolute rulers (Louisiana and Alaska), tending to quarrel most with the most democratic nation of the time, Britain. Again, perfectly natural behavior for a nation in the stage of consolidation, for years preoccupied with the problems surrounding the Civil War.

Finally, at the turn of the century, America felt herself ready for the world stage, and between 1898 and 1920 established herself progressively as a great world power.

In this period the key figures were Theodore Roosevelt and Woodrow Wilson, two men so profoundly different in style—and so hostile to each other in the arena of politics—that it has long been fashionable to speak of Rooseveltian and Wilsonian schools of thought and action in foreign policy. In fact, from the perspective of recent years, the two men appear much more alike than different—alike certainly in

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their sense of American mission or (as a hostile critic might see it) their need to rationalize American action by large principles. At any rate, Roosevelt instigated, McKinley ordered, and Wilson (from his Princeton professorship) supported a war against Spanish colonialism and autocracy and the assumption by America of her own "mission civilisatrice" in the Philippines. And Wilson, prodded by an often-contemptuous Roosevelt, took America finally into the First World War, proclaiming as he did so that "the world must be made safe for democracy."

By 1919, of course, Wilson had taken the country further than it was ready to go, and in the end was rejected by the Senate and the people. But in the process he had created not one but two of the most ambitious and ambiguous slogans that have bedeviled any nation's foreign policy. To make the world "safe for democracy," is it necessary only that other nations not be able to threaten those that choose the democratic way—that there be, in Dean Acheson's later paraphrase, "an environment in which free societies *may* [my emphasis] survive and flourish"—or is it essential also that the nations of the world progressively adopt democracy and thus, as Wilson assumed, progressively become more peaceful in their behavior?

A like ambiguity surrounds "self-determination," Wilson's other seminal contribution. Does this mean only that nations of the world should be free of imperial, colonial, or other external control—the breakup of the Austro-Hungarian Empire, for example—or does it mean that the popular will should express itself in their continuing governance? To put it bluntly, are nations worth saving if they fall under dictators?

As America withdrew from the world (outside the Western Hemisphere) between the wars, she put off facing these ambiguities for a generation. Partly from the injustices of an un-Wilsonian settlement and partly from the sheer dislocation of the war, there emerged two new twentieth-century forms of absolutism—each secular and total—the Nazi and Fascist version hypernationalist, Soviet communism pretending to be universal. The crusade to make the world safe for democracy lay in the dust, and for a time an isolationist America did in fact "choose *thees* one"—that is, did take the view that only a direct and physical threat to the United States required American action, that neither the shape of the world nor the democratic character of nations was America's concern.

In the end, the European powers—and a passive America—stood aside as two of the democracies that had arisen from the war, Czechoslovakia and Austria, were sacrificed to the Nazi juggernaut, and

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only in 1939 did Britain's commitment (to the support, ironically, of a semi-Fascist government in Poland) stop the retreat before Hitler and bring on a Second World War. And in the end the combination of not one but three big powers, Germany, Japan, and Italy—*all* dictatorships, all militarist, all expansionist, and one into the bargain racist in the most abhorrent way—led America again into war. Even before Pearl Harbor, our purposes had been defined in the Four Freedoms, *from* fear and want, *of* speech and religion—close to democracy, at any rate antithetical to dictatorship.

III

In short, World War II made opposition at least to totalitarian and expansionist dictatorship a cornerstone of American policy. If at the same time America found herself fighting alongside another totalitarian dictator, Stalin, as well as a military ruler, Chiang Kai-shek, his totalitarian tendencies curbed only by his limited power and effectiveness, there was the justification that both the Russian and Chinese peoples, however little voice they had, were plainly in agreement with the war policy of their governments.

So the war seemed indeed a victory for freedom, and in its wake the prestige of the United States and of the democratic process stood for more than a decade higher in the world as a whole than ever before—or since. It seemed at the time only natural that the occupations of Germany and Japan, security-motivated at first, should turn into massive laboratories in the reeducation of whole peoples. It was an effort in which our military proconsuls had the help of many of the most liberal elements in American society—where else could Roger Baldwin and Douglas MacArthur have seen eye to eye? And the transformation of these two great societies, covering only a part of Germany, perhaps not yet fully tested by the advent of the opposition to power in Japan, must nonetheless rank as extraordinary acts of American foreign policy, geared directly to the theme of undoing dictatorship.

Moreover, both by example and by influence the United States did deeply affect other nations of the world. Aiding Greece to survive, we helped to turn her into a path of democracy that she followed, albeit shakily, at least until 1967. And the inspiration of the American Founding Fathers contributed to the professed ideals, if not to the performance, of men as varied as Sukarno and even Ho Chi Minh. Ambassador Moynihan has recently quoted what Edward Shils wrote in 1964 concerning the wave of new nations that came into being in the 15 years after the Second World War:

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> There are no new states in Asia or Africa, whether monarchies or republics, in which the elites who demanded independence did not, at the moment just prior to their success, believe that self-government and democratic government were identical . . . . Something like liberal democracy was generally thought to be prerequisite for the new order of things.

Very soon after the war, however, the United States was caught up in another great struggle, against a Soviet dictatorship always seen to be totalitarian and now appearing expansionist as well. Stalin's failure even to respect the forms of popular choice in Eastern Europe—however much he might in practice have dictated their result—was a major cause of the quarrels that brought on the cold war. It was not in the American instinct to be as "realist" about accepting a Soviet sphere of influence in Eastern Europe as leading Europeans, including Churchill himself, were prepared to be—and the difference was an important one to the depth of the final cold-war division. It was, after all, a reasonable approximation of democracy that was extinguished again in Czechoslovakia in 1948, while the United States was almost equally aroused by what appeared in France and Italy to be the subversion of the democratic process by massive external political support of local communist parties. Indeed, it was this latter case that led the United States into the fateful habit of injecting its own forms of political support, through the infant CIA, to local political elements faced with such communist action. In these first cases, there is little reason to doubt that the outcome reflected the genuine underlying views of the French and Italian peoples. Alas, similar American political interventions may later have been less clearly justified either in principle or in practice.

Then aggression in Korea made the confrontation worldwide, with the Soviet Union and the People's Republic of China seen alike as expansionist and totalitarian dictatorships. And, in its worldwide effort to organize the so-called free world to hold a line against communist expansion, the United States found itself in the 1950s drawn into the full depth of the ambiguities implicit in the old Wilsonian formulations. The rounding out of NATO appeared to call for the admission of a Portugal ruled by Salazar, while an effective nuclear deterrent seemed to dictate the need for military bases in Spain, and hence substantial assistance to General Franco's government. In Iran and Guatemala, the real or fancied threat of communist political action led to decisive covert interventions in support of regimes not distinguished by truly democratic practices. And, in the new structure of worldwide alliances brought to its fullest peak by John Foster Dulles, one after another of our "free world" allies came under gov-

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ernments of an increasingly repressive and dictatorial character—Syngman Rhee in Korea, Ngo Dinh Diem in Vietnam, General Ayub in Pakistan, Marshal Thanom in Thailand, and of course, our old friend Chiang Kai-shek on Taiwan.

In the 1950s these ambiguities hardly troubled an America engrossed in what she saw as a major job of preserving the national independence of new nations and protecting them from being taken over not only by an external power but by totalitarian methods of government against which there could be no later domestic recourse. Indeed, to the extent that the problem bothered thoughtful Americans at all, there grew up lines of thought that tended to excuse or justify the maintenance of non-democratic regimes by so many of the nations with whom we were associated. After all, it was argued, almost none of these nations had any historical experience of democracy. Their various cultures and traditions had usually been authoritarian, and the practical problems of economic progress and effective organization were a peculiarly difficult test of embryonic democratic structures. These justifications were not without some weight. They were readily accepted by conservative American opinion, and even in liberal quarters they often seemed persuasive. Witness only what John Kenneth Galbraith wrote in 1961 when he was urging President Kennedy to make things difficult for Ngo Dinh Diem in South Vietnam: that the successors would almost surely be a military government, but that this was a natural and expectable event and one we should be ready to support.

Nonetheless, President Kennedy did show a greater sensitivity to the problem than his predecessors. In 1963, for example, in an action never publicized, he told General Park Chung Hee in Korea—who had come to power by a military coup but subsequently promised democratic elections—that if he failed to go through with those elections the United States would seriously consider cutting off all its support for Korea; it was the only case I know where this ultimate threat was used to the full, and in a situation happily free of massive publicity (which would surely otherwise have engaged Park's "face") the threat worked, the elections were carried out, and for nearly a decade Korea did enjoy an essentially democratic system.

More generally, the Kennedy Administration was much more positive in its friendship for existing democracies, notably India, regardless of their cold-war policies. The Kennedy formulation of the Alliance for Progress definitely envisaged that countries adhering to democracy would obtain greater American help than those that did not. Unfortunately, a little on the Wilsonian model, the goals for the

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Alliance were too ambitious. By seeming to promise more than could be delivered, they may have made their own small contribution to the lapse into widespread dictatorship experienced by Latin America in the past decade.

In short, the Kennedy Administration showed itself genuinely sensitive to the issue, but at the same time unable to avoid many of the persistent ambiguities of the American posture.

Over the last decade, we have seen both a misguided apogee of the cold war—in Indochina—and its rapid decline through the process of détente with Soviet Russia and the easing of relations with China. Along the way, President Johnson (and Ambassador Cabot Lodge) tried to bring democratic ways even to a Vietnam at war; predictably, I think, the effort failed, and the dictatorship of Thieu became another of the negatives of that ghastly national experience. More typically, when the colonels took over in Greece, Johnson made the choice that preserving the national independence of Greece—as well as its strategic position in relation to American support of the rest of NATO and of Israel—warranted some continued assistance even to a dictatorship whose behavior tarnished one of the early American postwar successes. The sense of unhappiness over compromises on the issue of dictatorship became one of the contributing factors in a growing feeling that America had become overextended.

But it was the Administration of Richard Nixon that most changed, or seemed to change, the American posture toward democracies and dictatorships. Almost by definition, democracies are hard and wearying, sometimes even exasperating, to deal with; dictatorships, on the other hand, can deliver what they promise in personal conversation—unless, of course, they happen to be deceiving massively. Nonetheless, the process by which, in his five and a half years of power, Nixon managed to get on strained terms with almost every democratic government in the world, while condoning and cultivating dictatorial regimes both in great and lesser powers, set, I think, new records in making a vice out of necessity.

That part of this *was* necessity cannot be doubted. The moves toward Russia and China were right, and in the case of China there was a chorus of early visitors who carried a sense of guilt for the past to the point of ignoring some rather basic features of the Chinese regime —in Patrick Moynihan's words, it became "the convention of those returning from China to speak of the absence of flies there, and not of the absence of liberty." And, in the case of Russia, the prospect of greatly increased trade seemed to blind another group of Americans to the realities of the Soviet regime and its policies. If it was right for

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us all to get away from the atmosphere of ideology that had pervaded the cold war, we could still have kept a more realistic view than we have done.

Similarly, for friends and allies, I do not think we could have dumped Greece—or Marcos when he made himself effectively the dictator of the democratic Philippines we had done so much to nurture. But we need not have condoned Marcos as we have done, and the degree to which Messrs. Nixon and Agnew embraced the colonels in Greece was quite unnecessary—and has borne bitter fruit in the past year in terms of foreign policy alone. And in Chile, most tragically of all, we compounded the tactical error of using the CIA by embracing the present military regime, which is repulsive by any normal American standard.

So it has been a matter both of policy and posture. I think it has registered abroad now that the United States no longer cares much about how nations are governed, that it might be guided (as in Chile) by the most dubious generalizations of the cold-war era, while at the same time shedding the ideals that by and large did have a substantial effect on American conduct even at the height of that embattled period.

It is at home, however, that the effects have been most serious. The revolt in Congress during the past year on foreign policy issues has had many obvious proximate causes. But surely at its very root—in the Jackson Amendment and the rejection of military aid to Turkey particularly—has been a deep and widespread feeling, reflected in the Congress, that the Realpolitik of President Nixon and Secretary Kissinger was neglecting something fairly basic to historic American foreign policy and to our sense of our own aspirations and standards.

IV

Where does this historical survey bring us out?

First, I think to the self-evident conclusion that over the years American policy on the question of dictatorships abroad has often been confusing and contradictory. Conservatives and liberals alike have been readily subject to delusions about particular regimes abroad. We have a strong tendency to set up our own white and black hats: if the Greek colonels were brutal, it must follow, apparently, that Communist Party leaders there resemble Yves Montand in the movie "Z," and talk like Eugene McCarthy. Grays do not interest us, so that we are often harder on authoritarian regimes where there *is* still a measure of freedom, but its sins are visible, than we are on regimes which extinguished freedom totally long ago and so have no

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visible sins. And, because of our national craving for efficiency as an end in itself, we have been at times unsympathetic to democracies that floundered—the France that fell, the India that still wallows, and of course has now left the fold.

So one conclusion—as we enter an era not free of ideological conflict but at least less burdened by it—would be a simple appeal for objectivity. In assessing undemocratic regimes, let us judge those of the Right and those of the Left on the same scales, and let us recognize that there *are* important differences of degree: it matters whether a regime can in practice be replaced, even if only by coup techniques, or whether it has total control of its people; it matters whether there is some freedom of speech and some respect for human rights, or none of either; it matters whether something real is being done for the lot of the people, even if paternalistically; it matters whether there is religious freedom, and the freedom of subgroups to express their cultures. Yes, even on the issue of corruption we should be wary—and today a little humble—about applying rigidly the standards of our particular culture.

A second conclusion should be that, as we seek to judge more objectively, we must recognize that our power to influence resides—now in the 1970s—overwhelmingly in our example. The brief era when we could seek to transform Germany and Japan, and where all over the world American Ambassadors were watched for their approval or disapproval, is definitely over. Today the nations of the Third World appear to be rejecting equally democracy and totalitarianism, including communism. In essence they are groping to find national styles of governance, in an era when the aroused perceptions and expectations of people make the task of governing extraordinarily hard under any system. If it all seems discouraging, it is surely not nearly so much so as the 1930s. Perhaps, if there is a long-term democratic tide to history—a faith I myself cling to—there are bound to be ebbs and flows, as there surely were in the years from 1215 to 1867—from Magna Carta to the Second Reform Bill—in the Anglo-Saxon history that is our heritage. But this tide, at least, cannot be forced.

And, for all our worries about failures here at home, let us not underrate the continued impact of our society on the world. At a time when India's foreign policy is closely parallel to that of the Soviet Union, it should say something to us that there are tens of thousands of Indian students in this country and a mere handful in the Soviet Union.

Thirdly, as we conform our security policy to a national consensus for reduced commitments arising only partly from the Vietnam

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debacle, we shall find—are already finding—some of the ambiguities of the cold war likewise at least reduced. With the possible and troubling exception of Portugal, the members of our core security alliances in Western Europe and with Japan *are* truly like-minded democratic nations, as is the Israel to which we have such a strong moral commitment. These are the nations to which we are most deeply bound, and we should make no bones about democracy being a part of the bond.

Yet even the defense and preservation of these core areas, on a realistic basis, will still involve some problems—what might be called a balancing of equilibrium and non-equilibrium considerations. The defense of Japan, and the avoidance of serious great-power conflict in Northeast Asia, still require in my judgment our strong support of Korea despite the deplorable excesses of General Park. In this case we know what his opposition thinks: they want us to stay, for they continue to fear Kim Il-Sung more than Park. And they believe that, as happened to Rhee in 1960, they can in the end deal with Park without the complications of American intervention. To rely on the underlying will of the people—when we can be reasonably sure of it—may be the best guide of all.

Moreover, if one accepts the new degree of American involvement in the Middle East as inevitable—both for the sake of Israel and for the sake of our oil supply—one must accept the ambiguities that go with it. The Shah and King Khalid are facts of life, and one might add, products of their respective cultures. We have to deal with them for a host of reasons, and all we can seek is that our behavior should not alienate us from those who, there too, may in time succeed them.

And, of course, finally and most crucially, we have to deal with the Soviet Union and China, to avoid nuclear war and to hope for a less threatening world atmosphere.

So in the end we simply cannot choose as neatly as Count Bobby tried to do. All three of our national objectives do have to be nurtured together, and at times some will have a greater priority than others.

All this said, I would still conclude on a note that is both critical and positive. Our concern for democracy, and our distaste for dictatorship, should have much clearer weight in our total policies than they have had for some years past; among other things it matters that we say frequently what we stand for. More of our policy, and much more of our public posture toward other nations, can tilt in the direction of democracy and against dictatorships of any stripe. The men who met in Philadelphia two hundred years ago understood the dilemma. I think they would have wished of us at least this much.

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FOR A NEW WORLD ECONOMIC ORDER

By Thierry de Montbrial

THE world economic order born after World War II, to a large extent fashioned by the United States, was based on two fundamental principles—in monetary terms, the principle of fixed parities and the dollar standard (although the dollar was convertible into gold at the request of the central banks); in commercial terms, the principle of non-discrimination and free trade. Practically speaking, the United States was assuming the role played by Britain during its period of greatness. This lasted until August 15, 1971, when President Nixon suspended the convertibility of the dollar. Over the years, we witnessed the fantastic growth and development of the defeated nations, Germany and Japan, and the emergence of the European Community—developments encouraged by the United States. The stupendous economic expansion of the capitalist West is, without a doubt, the most remarkable feature of this postwar period. The even greater expansion of trade (particularly intra-European) appears in this respect to be both a cause and an effect.

Several discordant notes nevertheless were struck. As Europe gained momentum, the United States took offense (e.g., the dispute over the common agricultural policy, attacks against the policy of association with third countries). Meanwhile, some European nations began denouncing the manifestations of American hegemony (the enormous expansion of U.S. investments abroad, growing balance-of-payments deficits) and voices were raised accusing the United States of disregarding the rules of free trade when these did not serve its best interests (e.g., the insistence on the "American selling price" exception in the Kennedy Round).

Another characteristic of the era which began in 1945 has been the emergence of the Third World. From the beginning of decolonization, these nations, which had nothing in common aside from poverty, sought to achieve solidarity. Such hopes, expressed at the Bandung Conference of 1955, were at first frustrated. Yet, more recently solidarity began to emerge. The "Group of 77," formed in 1971 to defend common positions at the UNCTAD Conference in Lima, comprises today about 100 countries and plays a major role in international organizations. However, it is particularly the success of OPEC in 1973 that has jolted the developed nations into a full awareness of the influential power of the "proletarian" nations. These nations desire, and have the power, to make their voices heard in the interna-

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tional arena and to participate in defining the rules of the game. They have now realized that they are not without effective means for applying pressure.

Finally, in recent years we have witnessed the expansion of trade with the communist nations of Eastern Europe. The cold war has been replaced by coexistence and now détente. While East-West trade now represents only three percent of worldwide commerce, it has developed relatively rapidly and regularly and plays an increasingly important role in both the foreign and domestic policies of the nations involved.[1] By 1975, the world economic order can no longer be restricted to the ten nations making up the Organization of Economic Cooperation and Development (OECD). The Third World and, to a certain extent, East European countries must be included.

Today the structure of international economic relations, based on the monetary system of Bretton Woods, has collapsed. This became inevitable in August 1971 when America violated the sole constraint imposed upon her, the convertibility of the dollar into gold, having refused to accept the discipline which would have permitted her to avoid widening the gap between the dollar assets of foreign central banks and her own gold reserves. (When Jacques Rueff and General de Gaulle foresaw this in 1965, the French were accused of anti-Americanism.) And, since the general currency float of 1973, free trade has to a great extent lost its meaning. The Nixon Round is not making any headway and it cannot be otherwise. The expansion of economic relations outside the sphere of developed capitalist countries provides yet another reason for questioning free trade. The development of inflation and worldwide recession are incitements to protectionism.

Another factor is the trend toward the politicization of international economic relations. Certainly, international economic relations have always had a political component. For example, one of the fundamental objectives of the Marshall Plan was to prevent a communist takeover in Europe. However, it is only in recent years that the systematic use of dominant positions and interdependent economic relations has been developed for political purposes. To mention a few examples: the question of "burden-sharing," i.e., the presence of U.S. troops in Europe linked to the restoration of equilibrium in the U.S. balance of payments (Europe, in effect, was being asked to "rent" the

[1] Peaceful coexistence originally stemmed more from the Soviet desire to avoid direct confrontation than from the desire to expand trade relations. The change occurred in 1971 at the 24th Congress of the CPSU which, in the perspective of the eighth Five Year Plan, explicitly linked the "peace program" of the Soviet leaders to contributions by the U.S.S.R.'s Western partners to its economic growth.

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troops without having the advantage of sovereignty over them) ; more generally speaking, the linkage between defense, trade and monetary negotiations demanded by the United States in the tense atmosphere of European-American relations in 1973; pressures on Germany and Japan to revalue their currencies; the linkage between the emigration of Soviet Jews and the extension of most-favored-nation status to the U.S.S.R.; and—the most striking example of political intervention into the economy—the oil embargo of the autumn and winter of 1973–74. Thus we must accept the politicization of economic relations as a given fact.

Since the special U.N. session of 1974, there has been a great deal of discussion over the conditions for a "new international economic order." Some reject this terminology as a revolutionary slogan. They prefer to speak of the reorganization of international economic relations. Putting terminology aside, there is, however, general agreement that the main principles governing international economic relations must be reexamined, taking into account the changes in power relationships and attitudes during the past 30 years.

II

On the national as well as the global level, monetary stability is a prerequisite for economic stability. In 1971, the international monetary system fell apart because dollar balances were allowed to accumulate which were no longer compatible with Bretton Woods rules. Still it might have been possible at that time to get back on the track. We would have had to consolidate the dollar balances, modify the relative parities of the various currencies, reestablish convertibility in a reserve unit independent of any particular nation and with its availability subject to strict rules, establish a control mechanism over international capital flows, and set up structures for efficient coordination of economic policies. In order to accomplish this, a high degree of determination and courage was necessary, particularly on the part of the United States whose superiority had declined since 1945. Unfortunately, this never materialized.

In the absence of any leadership, the general currency float was the only alternative. In the short run, everyone was satisfied: the United States was now officially freed from any constraint and could hope to reestablish its trade balance thanks to the decline of the dollar; its industrialized partners no longer had to support the U.S. currency. The record level of commercial exchanges in 1973 showed that such a system did not hinder international trade. Under these conditions, the Group of Twenty, in charge of studying the reform of the interna-

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tional monetary system, progresssed at a very slow pace. After the jolt of October 1973, no one believed that monetary reform would be accomplished in the foreseeable future. Today, monetary talks are merely devoted to minor points: revision of quotas, the role of gold in a system where precious metals have been dethroned, and creation of facilities for countries running the greatest deficits.

From the current perspective, we can safely say that the system of floating exchange rates seriously contributes to the continuation of the crisis. The erratic fluctuations of parities endanger certain industries (for example, the aeronautics industry in France) without this having anything to do with the laws of competition. The rate of inflation is rising in those countries where the value of the currency is declining, without it being significantly reduced where the value of the currency is rising. This is the classical "ratchet" effect. Many experts credit part of U.S. inflation to this phenomenon.

Instability of exchange rates prevents any planning on the part of exporting companies. Furthermore, the lack of any effective constraint on the creation of international liquidity reinforces the inflationary push without bolstering economic activity. But by making the disappearance of the economic crisis a prerequisite for reestablishing fixed parities and convertibility, we are putting the cart before the horse. We are risking a deepening of the crisis which would, without any doubt, lead to political upheaval. We must therefore immediately convene the monetary conference which should have been held in 1971.

III

Turning now to the area of commercial relations, the dogma of free trade, which has been the organizing principle of international trade relations for the past 30 years, must be reexamined—and by those most attached to it. An overly rigid adherence to it would be counterproductive. Let us first recall the doctrinal elements of the question. The theory of free trade was formulated by the classical economists (Adam Smith and particularly Ricardo) and perfected by the neoclassicists (Haberler, Hecksher, and Ohlin). It states that in an economic universe where the means of production are not mobile, an international division of labor based on the hierarchy of "comparative advantage" leads to a higher global production of all goods than would be achieved in the absence of this division of labor. Furthermore, advocates of free trade contend that in this manner not only is the world community as a whole better off but that each individual nation benefits separately as well.

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In theory, this analysis rests on two quite narrow assumptions: perfect competition and the independence of production techniques with respect to trade conditions. These two assumptions are unanimously rejected by the theorists of imperialism. Among their modern representatives one may mention François Perroux, John Kenneth Galbraith, Joan Robinson and the American radical economists, who point out that the transactions are generally "unequal," that free trade favors the domination of the strong over the weak by distorting the terms of trade in favor of the former and by blocking the possibility of technological development by the latter. This last point leads to a strong version of the old protectionist theory proposed by Alexander Hamilton in 1790. Some claim that Japan owes her remarkable development to the protectionism she has been able to maintain. In any event, it is clear that capital and labor are far more mobile today than they used to be and that the problem of choosing between free trade and protectionism cannot be limited to the question of the exchange of goods.

Many other arguments can be advanced in favor of a more subtle approach to free trade. The expansion of commercial exchanges reduces short-run gaps among the participating countries and, by putting their economies in phase, produces the amplifying effect which physicists call "resonance." The inflation of the past six years and the current world recession can be partially explained in this manner. Such high interdependence between nations which are only slightly integrated politically is a highly dangerous phenomenon; in part for this reason, Keynes was sympathetic to protectionism in his *General Theory*. Today the argument is still more valid, and it is open to question whether commercial transactions have not already been carried too far in relation to the possibilities for regulating the world economy in an orderly way.

Another point that certainly deserves attention focuses on the struggle against the "external costs" of economic activity (e.g., protection of the environment, the reduction of noise, traffic jams . . .) and on the fiscal consequences of the production of public goods and services and the reduction of social inequalities. Since the distortions of market mechanisms that arise from these concerns have repercussions on the competitiveness of export companies, insofar as the different countries do not deal with these problems in a sufficiently integrated manner, insurmountable problems spring up and noneconomic values are liable to be sacrificed to competitiveness. In a period of great public sensitivity to the costs of growth, this argument cannot be overlooked.

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More classic are the arguments in favor of protectionism in the agricultural sector. The still considerable weight of uncertainty has, to a large extent, sheltered this activity from the market economy. Uncertainty about conditions of production (meteorological factors), unpredictable trends in demand, and on the other hand, the time needed to carry out production decisions—and often their irreversibility—all these prevent rapid adaptation by farmers to a changing environment. The problem is aggravated by limited capacity, or high costs, of storing farm produce. For all these reasons, even the most liberal states have adopted extremely interventionist tactics in agricultural affairs. (If the United States has adopted a much more neutral policy on agricultural production since 1973, this is because of the special world conditions that have prevailed since the previous year; even this evolution is not irreversible.) We shall discuss the question of agriculture in more detail in due course, but there are two principles which are basic: agriculture remains the fundamental economic activity of man, the one most intimately linked to his survival; in the long run, both demand and needs can only grow and the problem is to determine whether supply will grow as rapidly. It is therefore fundamental that each country or each region (in the case of sufficiently integrated zones) should develop its agricultural potential, first to approach self-sufficiency whenever possible, and second to generate a surplus which can be exported to zones where self-sufficiency is beyond reach. In particular, the common agricultural policy of the European Community must be maintained as an end in itself, if not in all its modalities.

In sum, agriculture is a sector where the theory of comparative advantage is particularly open to challenge. Its hypotheses are incompatible with agricultural realities.

The foregoing remarks on agriculture have already mirrored, in an implicit manner, the argument of security, which has always been stressed by the advocates of protectionism. In order to counter its effect, the defenders of free trade have spoken out in favor of separating the economic and political spheres. As we observed earlier, the modern world is moving in the opposite direction. The security of energy supplies, raw materials and agricultural commodities, and also of certain advanced technology (computers for example) is more than ever a fundamental concern of all governments.

We have emphasized above the development of East-West and North-South economic relations. What is involved in both cases is bringing economies with differing structures into contact with each other. Economic transactions then have a global nature which stems

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from what we may call "generalized bartering." Thus the flow of products must fit into a general framework of cooperation whose dimensions are far greater. Once again it seems that the political and economic spheres overlap. It follows from these points that the new world economic order *cannot* be based on a vision as "free trade" in character as that which governed the postwar economic order. On the long road toward integration, it is arbitrary and dangerous to progress solely in the field of exchange of goods.

Within zones specifically seeking integration, free trade must be maintained. In principle, this applies to the European Community. But such a policy can only work if integration is simultaneously carried out in other sectors as well. For example, Europe must not abandon her quest for economic and monetary union, in the full sense of these terms, in spite of the difficulties encountered. The relations between different zones "in the process of integration" must be governed by flexible rules to be defined, which must pertain not only to the exchange of goods but also, in the long run, to investments abroad, transfers of technology, capital flows, etc. The important point at this juncture is to realize that by scrapping the simplistic objective of free trade we are not implying that international economic relations will be governed by the law of the jungle as during the interwar period. On the contrary, the interdependence between nations is an accomplished fact which requires the creation of adequate regulatory mechanisms. What one must do is to choose one's tools with care—and not to deceive oneself about the purpose of regulation.

IV

For the past two years, the energy crisis has dominated international affairs. It is a particularly complex problem due to the mixture of political, economic and ideological considerations.

It is now generally recognized that in the long run the global supply of energy does not represent a physical problem. In strictly economic terms it is only a problem of substitution, that is to say, of the optimum development over time of the different sources of energy so that each source can be replaced at the right time by another. While the result should be, barring technical breakthroughs, a progressive rise in the cost of energy, this increase should not have major consequences for further global economic development.

The crisis of the fall of 1973 had nothing to do with the scarcity of energy, not even of oil. It was the direct result of the West's having permitted itself to become increasingly dependent on oil as an energy source, and because this oil came in large part from a small group of

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countries able to form a cartel. To this end, they took advantage of a political and economic situation in which the power relationships were particularly favorable to them. Today, in spite of inflation, the price of oil clearly far exceeds what could be charged if the price were determined on the basis of long-run "opportunity costs," i.e., the values attached to the factors of production that determine their use in one activity rather than another. Can this go on? The answer, of course, depends on the evolution of market forces and the balance of power.

At the present time, the major consuming countries are in a very confusing predicament. The United States hesitates between an aggressive liberal policy which would bring down the demand for oil (thanks to energy conservation and the recession) and precipitate the collapse of the cartel, and a defensive policy whose goal would be to guarantee a high price for oil, in order to develop substitute energy sources and at the same time to keep in the good graces of the Arab oil producers whose attitude is crucial to any solution in the Middle East. Specifically, it appears that the United States has not made full use of its potential capacity for applying pressure on Saudi Arabia and especially on Iran, whose attitude is a determining factor in the fixing of prices.

The European nations and Japan are in a position of relative vulnerability and weakness—which explains their caution. Moreover, as a healthy long-run objective, the Europeans want to establish lasting ties with the Arab world and, more generally, with the Third World. Thus far, the International Energy Agency (IEA) has achieved very little. Further, energy conservation has been compromised by the increasing indifference of public opinion.

The producing nations are also in a relatively confused situation. The considerable drop in the demand for oil, a result of the economic crisis, has put their solidarity to the test. Yet, owing in great part to the allocation of production practiced on their behalf by the oil companies, they have avoided collapse. To what extent their interests in a high price of oil coincide is a fundamental question. One could imagine, for example, that Saudi Arabia would not prefer an excessive rise in the price of oil because its capacity for overall industrial development is far inferior to that of Iran which could, using the money that would accrue to it, permanently supplant the Saudis in the Persian Gulf. Algeria, a small producer, undoubtedly has more complex objectives. It is obviously in its interest to accumulate as many resources as possible to finance its development. But it would also like to assume the leadership of the Third World, and thus tends to lump

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together the problems of energy, raw materials, and development. Each of these points is of primordial importance and will have to be discussed among the nations concerned. When this happens, we will see that these problems are linked, but distinct. When the polemics come to an end, will the cause of the oil-producing nations be as easy to defend, and can the solidarity of the Third World be maintained? Would it not, therefore, be conceivable that certain nations see the confusion as being to their advantage?

Under the present circumstances, the chances that the balance of power will evolve in favor of either side are so evenly distributed that the producers and consumers might consider that it would be in their interests to seek a compromise. Essentially, this should result in a negotiated price level (which could eventually fluctuate within certain limits) that would be higher than the long-run opportunity cost without being arbitrary, and which could serve as a basis for coherent decisions regarding production, consumption and stockpiling. Using objective criteria, this price could be periodically readjusted. If the attempt to arrive at a negotiated procedure for fixing prices proved impossible, a test of strength would surely take place some day, with all the uncertainty that would bring.

V

The management of raw materials poses both long- and short-term problems. In the short run, we must organize markets to satisfy the interests of both producers and consumers, and in the long run, assure an economical use of scarce resources (that is, those that are hard to get not in the physical sense but in terms of economic cost). On the first point, the essential ideas are as follows:

1. Each raw material poses specific problems. They must therefore be handled on a case-by-case basis.

2. The smooth operation of markets implies the dissemination of sufficient information on the conditions of supply and demand. (At the special session of the United Nations in 1974, the French Minister of Foreign Affairs insisted on the idea of the "transparency" of markets, meaning just this. For this purpose, he proposed the creation of an "observatory" under the aegis of the United Nations.)

3. Since raw material supply and demand is subject to various rigidities and random variations—similar to those that affect agriculture—regulation mechanisms, based on stockpiling and market intervention, are necessary to limit erratic price fluctuations which are as harmful to producers as to consumers. (The agreement on tin is a standard reference in this respect.) These regulatory mechanisms

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must not be aimed at effecting transfers of wealth between the parties concerned. The objective is to smooth out short-run price fluctuations, and not to maintain long-run price supports.

Still, the problem of the long-term management of the world's natural resources remains to be solved. To deal with this matter, a resolutely normative, even utopian, approach must be taken.

In order to clarify matters, consider how oil might be handled. In order to discover the most efficient rules for the management of this resource, let us imagine a world government. This government could, for example, nationalize oil and entrust its management to a single institution, in much the same way as the Electricité de France is entrusted with the production of electricity in France.[2] Let us then call this institution the World Oil Management Corporation (WOMC). What would be the functions of WOMC? It would have to estimate demand, explore various sites in the world to discover new reserves and exploit these reserves at an optimum rate which would minimize operating costs for the international community. Assuming, to simplify matters, that a perfect estimate is arrived at, normative economic theory states that the optimum price of the oil extracted from the wellhead is clearly defined and composed of three elements: (1) the proportional cost of extraction per barrel; (2) an amount equal to the economic amortization of the equipment required for the extraction of an additional barrel; (3) the marginal cost of discovery of one additional barrel of reserves.

If these costs were constant, the operating costs of the WOMC would be perfectly balanced and the company would neither make a profit nor suffer a loss. This would obviate the need both for subsidies and for the distribution of surpluses. However, we must assume that marginal costs will not remain constant; let us suppose that the two first elements do. We can hypothesize that the third is rising, since it is increasingly expensive to discover new reserves. Under these conditions, two observations can be made: on one hand, WOMC would make a profit (differential revenue) to be redistributed; on the other hand, a time would come when the price of oil would be sufficiently high to trigger the exploitation of alternate sources of energy.

Based on our hypothesis of a perfect estimate, a timetable for the exploitation of the various sources of energy can easily be determined. Putting aside the highly restrictive assumption on which our conclusions are based, it nevertheless appears that the resources of the

[2] It should be recalled that the notion of basic products as the "common patrimony of humanity" was adopted by the United Nations with respect to the seabed.

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planet must be managed in the "general world interest," by an international organization; and the tariffs on these resources must not result from the hazards of short-run events, but rather from planning their availability and demand. Should a profit be made, it can be distributed under conditions which are not necessarily predetermined. For instance, it could be distributed to the inhabitants of the land from which these resources are extracted.

It goes without saying that since territorial sovereignty is the most cherished prerogative of all nations, these principles, whose implementation implies a high level of integration, are currently perfectly utopian. They might, however, prompt certain partial measures.

The preceding remarks do not take into account the demands of certain Third World countries for a system of redistribution of world revenue in their favor based on the appropriate pricing of natural resources. In particular, arguments advanced in favor of the general indexing of all raw materials (and more moderate claims such as that formulated at UNCTAD concerning an international stockpiling system for all raw materials, financed jointly by the industrialized and the oil-producing nations) seems to be inspired by the idea that less-developed countries should identify themselves with the nations that produce, or at least those that export, raw materials. In fact, this point of view is profoundly false. In the first place, developed countries rather than the developing countries dominate most raw material markets, whether as producers or as exporters. Furthermore, the developing countries themselves are very unevenly endowed with natural resources: all other things remaining equal, a general rise in prices of raw materials would prove harmful to most of them. They would benefit less from the increased value of their exports—if any—than they would suffer from rising costs of energy, minerals, metals, fertilizers and manufactured products which they import.

These statements can be clarified by a few figures. Taking world mineral production as an example, developing countries account for only 28 percent, market economy countries 45 percent, and planned economy countries 27 percent. If we consider raw materials as a whole and not just mineral raw materials, those which are truly of primary concern for the Third World—namely those for which developing countries account for 90 percent of world exports—are coffee, cocoa, tea, jute, hard fibers and natural rubber. The products for which the Third World accounts for more than 50 percent of world exports are relatively few in number: tin, copper, bauxite, manganese, sugar, and cotton. The bulk of all other basic products are exported and marketed mainly by developed countries.

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Only eight developing countries are distinguished by mineral exports accounting for over 30 percent of their total exports. And in terms of a commodity analysis only five minerals (copper, tin, bauxite, phosphates and diamonds) individually make up for over 30 percent of the exports of at least one developing country.

We can calculate that for a group of countries accounting for 80 percent of the population of the Third World an increase in mineral prices will not only fail to yield any profits, but will constitute a burden, particularly for the largest ones among them, while at the same time it would contribute to increased wealth for countries such as Canada, Australia and South Africa.

Hence, it is clear that the problem of resources necessary for development is not restricted to raw materials. Their generalized indexing would also have the fundamental drawback of introducing unbearable rigidities in the trade system. Inflation, overproduction and, finally, collapse of existing mechanisms would be the end result. We must therefore look elsewhere for improvements in the international distribution of income.

VI

Any study of raw materials must pay particular attention to the agricultural sector, which provides the most justifiable causes for concern. These anxieties are twofold. On the one hand, a crisis broke out in 1972, when a sharp decline in grain production (33 million tons) occurred for the first time since World War II. On the other hand, there exists an unsatisfied need for foodstuffs which is likely to increase substantially in the years to come. According to U.N. statistics, the unsatisfied need will apply to a population of at least 750 million by 1985, as against 400 million today, not including China. Thus, any analysis of the world food crisis requires a different approach, depending on whether one is concerned with the short run—the next two or three years—or the long run.

In the near future, one can expect that the crisis which began in 1972, due to a combination of accidental circumstances, is going to be solved owing to the very stringent measures taken by the United States in August of 1973 to increase production, i.e., the Agriculture and Consumer Act. Only poor weather in the large grain-producing regions slowed recovery in 1974. However, equilibrium will probably be regained at a high price level for four main reasons: the first surpluses (possible in 1975, probable in 1976) will immediately be allocated to stockpiles and will not directly influence the market; producers will refuse to allow a drop in their income; the energy crisis will have increased production costs; marginal production costs tend

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to increase. Therefore, it would be a mistake to discount a recurrence of overproduction crises during the next two or three years.

In the long run, however, it is almost certain that overall need, and even effective demand, will rise sharply. Based on U.N. documents, we can, for instance, calculate that total primary effective demand for grain in 1985 to provide for human and animal needs will exceed the 1974 figure by about 470 million tons, corresponding to a 39 percent increase in 15 years. Inclusion of unsatisfied needs would lead to considerably higher figures. Despite continuing controversy over the matter, we can safely say that satisfying total needs will not be prevented by physical obstacles, but rather by economic and social obstacles. If the world population is to eat its fill, the developing countries will have to be able to pay increasingly large sums for their food imports. For example, the net grain deficit for developing countries in 1985 has been estimated at a minimum of 70 million tons (as against an average of 13 million tons from 1969 to 1972). At a mean price of 200 dollars per ton in 1973–1974, this amounts to an aggregate expense of 14 billion current dollars. Even assuming that a solution will be found to finance the imports, we know that food distribution encounters tremendous problems which are not generally found in the developed countries. Consequently, regional and sectoral imbalances, arising from social and economic rather than physical causes, are to be expected in the coming decade.

Setting up mechanisms to improve the world food situation will have to have an important place in the new world economic order. The hopes inspired by the Rome conference have thus far been frustrated. The priority objective of the conference (to set aside supplementary institutionalized resources) has not been achieved; its second objective, which was to ensure that the developed countries would fill the food gap in the short run, will perhaps be achieved; its other objectives—international stockpiling, a food security council, compulsory deliveries, and control of prices of exporting countries—have been completely ignored.

This analysis brings us back to an observation made earlier concerning the common agricultural policy of the European Community. The original intention was to maintain and even increase the food resources of the Community by assigning priority to self-sufficiency. Indications are that this objective must be upheld. In the medium term, overproduction situations might reoccur, leading to hasty Malthusian measures, whose consequences would be especially dramatic since we know that, in the long run, quantitative growth in production on a worldwide basis is absolutely imperative.

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VII

The relations between industrialized nations and the Third World have become a focal point in international economic relations. Let us first consider the main points which appear in the resolutions adopted by the United Nations General Assembly in 1974[3]. For the authors of these resolutions, it was essentially a matter of allocating the financial and technological resources necessary for development:

— by cancelling the standing debt of the Third World;
— by compensating the developing nations for the abusive exploitation of their natural resources during the colonial era;
— by recognizing their total sovereignty over these resources;
— by expanding the participation of the Third World in the daily operations of the international monetary system;
— by encouraging the inevitable rise in the prices of raw materials (especially by indexing the prices of primary products to those of products exported by industrialized nations);
— by favoring true economic decolonization, including the right to diversified, complete industrialization, accompanied by effective transfer of the most advanced Western technologies.

What we are seeking is the definition of a permanent order. Thus, we need not comment on the two initial points, which, when examined closely, involve temporary measures. On the question of total sovereignty over natural resources, we shall restrict ourselves to the observation that in an interdependent world sovereignty is always limited; hence we have already advocated the concept of management of the earth's natural resources for the general good and not for the benefit of a limited few.[4]

Concerning the participation of the Third World in the international monetary system, the changes currently taking place within the International Monetary Fund are pointing in the right direction. Broadly speaking, for Third World countries, which have generally become independent since World War II, the present economic order—or what is left of it—is no longer legitimate. These nations must therefore participate in the formulation and management of the

[3] "Declaration on the Establishment of a New World Economic Order," "Program of Action on the Establishment of a New International Economic Order" (May 9, 1974); "Charter of Economic Rights and Duties of States" (Dec. 12, 1974).

[4] Here is a relevant quotation from Karl Marx, reported by Mssrs. Albert and Ferniot in *Les Vaches Maigres*, Gallimard, 1975, page 79: "When our society reaches a higher level of economic organization, the right of ownership by a few individuals of land forming part of the planet will seem as absurd as the idea of man's ownership of man appears nonsensical to our society today. No nation, nor all the nations covering the globe, are owners of the land, but merely possessors, tenants, with the responsibility like diligent heads of families, of transmitting it, improved, to future generations." (*Das Kapital*, Book 3, Part 6, Chapter 46.)

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new international economic system. When we dealt with raw materials, we saw that it was a mistake to identify the problems of management with the defense of the interests of the less-developed countries. But the problem of redistributing world revenue remains unsolved. The ideal solution would be the adoption of a redistributive international tax. In today's world, however, the idea of a negative international income tax is undoubtedly premature. Nevertheless, we must devise the means of establishing a system of minimum guaranteed income for the poorest countries.

In this respect, two systems merit consideration:

— The system initiated at the Lomé Convention of 1975 between the European Community and the Associated countries of Africa, the Caribbean and the Pacific. It grants the latter a guarantee scaled according to their level of development, which is specific as regards certain products, that we shall call "poor products," which are decisive in the Associated countries' export earnings. They are mostly tropical products. (With the exception of iron ore, mineral raw materials are excluded.) The guarantee provided assures that in the event that export revenues derived from certain products sent to the Common Market fall below a certain reference level (average revenues of the four previous years), the Community will compensate the countries concerned for part of the resulting losses.

— A system of variable import levies. Recommended by France in 1964 at the first session of UNCTAD, this system involves the collection by developed countries of variable import levies, after the establishment of a reference price for each product, either unilaterally or by international agreement. The amount of the levied tax (i.e., the difference between the actual price and the reference price if the latter exceeds the former) reverts to the exporting countries in proportion to their exports.

This latter system could be applied as follows: by restricting the list of products in question to "poor products" exported exclusively or almost exclusively by developing countries; by agreeing that the target price will be determined at regular intervals by negotiation between exporters and importers in order to avoid an excessive gap between the actual and target prices; by granting the benefit of reversion only to exporting countries whose percentage of subsidized exports is higher than 10 percent of total exports, or very poor countries (e.g., GNP inferior to 220 dollars per capita).

Irrespective of the system adopted, the basic principles would remain the same: application to "poor products"; the right to compen-

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sation based on the relative size of product exports to total exports and with consideration of the per capita income level.

Technology transfers also constitute an increasingly pressing need for the Third World, especially for the most dynamic countries among them, such as Algeria. This fairly vague notion actually covers what is normally known as industrial cooperation, as well as new, more qualitative claims. More precisely, the requirements of purchasing countries consist of:

- the demand for plants ready for immediate operation (the technology supplier not only agreeing to provide the installations, but also to transfer them to the buyer only after a substantial operating period involving the use of personnel from the owner country which the supplier has been charged with training);
- the demand for markets to sell the goods produced with these plants;
- increasing training needs: the link between industrial operations and the setting up of a permanent vocational training system, and if necessary, one covering technical education and research;
- research for technology and production systems adapted to the purchasing country;
- the right of access to subsequent advances in the technology acquired;
- possible surveillance and supervision of the behavior of suppliers by the governments of industrialized countries, extending even to takeover in the event of company failure;
- the development of joint ventures;
- with respect to countries with monetary surpluses, the acceptance of investments by these countries in the industrialized countries (The Kuwaiti Minister of Petroleum declared in December of 1974 that the ultimate guarantee of technology transfers by Mercedes to Kuwait is a Kuwaiti share of its capital);
- changes in existing regulations (patents and licenses) and the establishment of an international technology transfer code (under the auspices of UNCTAD);
- the creation of an international technology transfer fund;
- stringent regulation of "reverse transfer" (exodus of intellectuals to industrialized countries).

Certain operations likely to contribute to the implementation of these demands could be dealt with on an international level. Thus an international institution for technology transfers could be created. This body would evaluate the technological needs of the Third World; organize exchanges of technological information between

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industrialized and developing countries; engage in the purchase of patents and licenses which would then fall within the area of international ownership, and hence be open to unrestricted use by Third World countries; finance research on themes of common interest (e.g., in the area of agricultural techniques); finance the scientific and technological training of Third World students through a system of fellowships and scholarships.

However, a true technology transfer policy can probably only be defined within the framework of bilateral cooperation between states. The industrialized countries will have to provide the necessary guarantees, encourage and coordinate their industries in order to move in the desired direction, etc.

Finally, it must be pointed out that developing nations must understand that a technology transfer policy can only succeed if their demands for sovereignty over their natural resources do not become abusive. Otherwise, the industrialized nations will be tempted to use the same arguments in regards to the technologies they have developed.

The elite classes of the developing nations are also advocating a new international division of labor. Variations in labor costs have already led to the establishment of several industries in Southeast Asia and other Third World countries. Some of these, such as Brazil, welcome the establishment of polluting industries in their countries. The oil-producing nations, especially Iran, would like to see establishment in their territories of oil-conversion industries (refining, petrochemicals). However, if an international division of labor favorable to the Third World is to work, the industrialized countries must open up their markets to the industrial products of the developing countries (an extension of the system of generalized preferences). In order to accomplish this objective, the industrialized nations must formulate an adequate plan to deal with the social problems associated with the disappearance of certain industries (the textile industry immediately comes to mind). Moreover, it should be pointed out that the new division of labor desired by certain Third World countries can only be implemented if it corresponds to the criteria of competitiveness. (Will Iranian petrochemicals be competitive? If not, in the name of what will the industrialized nations step aside in this sector?) And if the revolutionary positions or political instability of certain developing countries are not moderated, the developed countries might well take steps to limit their dependence on the Third World.

VIII

To conclude, the intent here has not been to present a detailed plan

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for a new world economic order, but to explore possibilities in a few essential areas. The underlying concepts might thus be seen in the following light. Such an order rests on a globalist view of international economic relations. This means that the number of actors in the economic "game" must grow (by the addition of the Third World countries, and to a certain degree, of East European nations) and that mechanisms must be developed to ensure the evolution of the power relationships into relations based on mutual rights and equality. That is to say, each country must be bound to the same rules. The idea of an international redistributive tax, which should be considered a long-run objective, must be considered from this perspective. In this respect, the world economic system should evolve in much the same way as the European nations did after the industrial revolution.

A new world economic order would retain the fundamental principles of economic liberalism while introducing certain nuances. The international monetary system must be based on the principles of fixed parities and of the convertibility of the currencies into an independent reserve unit which would be strictly limited in its creation. Free trade must be maintained within zones seeking integration. Between the various zones, a more flexible relationship must be defined taking into account the disparity of objectives. If we are able to coordinate our cyclical and structural policies and establish a system of collective security to limit the use of economic threats, we will move much closer to free exchange. And the growing interdependence between nations calls for the creation of functional organizations for energy, mineral raw materials, and agricultural products.

The crisis shaking the Western World is not the "final crisis of capitalism." Today's problems stem from the monetary disorders which resulted from the lax attitudes of the past decade, from the lack of coordination in the context of growing interdependence and from the deflationary impact of the rise in energy prices. If we are to emerge from the crisis and cushion revolutionary attitudes, a policy of improvisation will not suffice. Ambitious but concrete initiatives must be taken on the international level as quickly as possible.

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THE UNITED STATES AND THE THIRD WORLD: A BASIS FOR ACCOMMODATION

By Tom J. Farer

THE United States has passed in the last decade from the United Nation's most influential state into a position of accelerating isolation as it confronts a very large proportion of the member states over a long agenda of contemporary issues. This is a truly novel development, one which threatens to poison international relations at a time that shrieks with the need for uniquely broad essays in international cooperation.

Three issues shape what may be called the North-South confrontation. One is the question of how global income and wealth and decision-making authority with respect to international economic problems should be distributed. A second issue is the attitude of the United States toward the two white-supremacist regimes in Southern Africa. And the third is the U.S. role in the Arab-Israeli conflict. Although each issue represents a distinct axis of confrontation, they are linked by a single world view, a kind of ideology, which imparts to them an intense emotional coherence. That ideology is not, as suggested recently by Ambassador Moynihan, "socialist," unless one follows Durkheim in defining socialism not as a political program but rather as "a cry of pain." It does indeed incorporate certain themes which recur in British socialist thought, just as it patches in a number of conventionally liberal ideals such as self-determination. But socialist and liberal fragments are reshaped by a special historical experience to produce in practice a distinct amalgam which can most usefully be described as the developing states in fact describe it: "anticolonialism."

II

The paramount objective of the anticolonialist amalgam is the eradication of all the conditions and insignia of inequality and humiliation associated in the minds of the Southern elites with the epoch of European domination. This objective guides Southern positions across a broad spectrum of contemporary issues.

One vivid illustration of the adaptation of a Western liberal theme to the felt exigencies of anticolonialism is the contrasting attitude toward inequality and the deprivation of human rights in the white enclaves of Southern Africa, on the one hand, and various Third World states on the other. While the government of Burundi, for instance, was busily exterminating the entire elite of that country's

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majority tribe, its President received a message from the Council of Ministers of the Organization for African Unity stating that: "Thanks to your saving action, peace will be rapidly reestablished, national unity will be consolidated, and territorial integrity will be preserved." Uganda and Bangladesh could be added to the list of massacres ignored by all but a handful of Third World leaders.

The causes of immutable antagonism to South Africa and Rhodesia are evident: those societies are the residue of the European migrations which occurred during the colonial epoch, and they exemplify the racial subordination which added a special edge to colonial domination. Hence Africans everywhere participate vicariously in the travail of the suppressed black populations.

Sympathetic involvement naturally attenuates where the persecutors, as well as the victims, are non-white. But that in itself does not explain the resolute determination of the Southern bloc to ignore barbarous delinquencies committed by certain of its member governments. Something more positive than indifference is at work here. These delinquencies are, in the first place, an enormous embarrassment and a serious wound to the anticolonial movement because they seem to confirm the propaganda claims of the white racist regimes about the consequences of the loss of white supremacy. Although the wiser tactic might be to assume the lead in condemning the barbarity and proposing remedial measures, the evident instinct is to pretend it is not happening.

Perhaps that reaction stems in large measure from an inability to intervene to terminate the delinquency. Since developing states cannot intervene themselves, a call for remedial action must be addressed to the West, the homeland of colonialism. That alternative is intolerable, first for psychological reasons and secondly for the very practical one of avoiding any erosion of the barriers against intervention which the Third World has been busily constructing for the past fifteen years. The Southern elites have not forgotten that "humanitarian intervention" has been one of the favored legal and rhetorical justifications for Western interventions in the Southern Hemisphere in defense of political and economic interests. It was, for instance, one of the announced justifications for U.S. intervention in the Dominican Republic.

Fearing intervention in its own vulnerable polities, yet wanting it in South Africa, the Southern bloc has relentlessly deployed its legal and rhetorical ingenuity to impose a unique status on the southern African cases and thus to isolate the resulting precedents. Consistent with this effort was the refusal, prior to 1971, to expand the General Assembly's list of national liberation movements beyond those at

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work in South Africa, Rhodesia, and the Portuguese Territories.

Burgeoning support in the Third World for the Arab states and the Palestine Liberation Organization (PLO) in their struggle with Israel also owes much to the anticolonialist world view. Yasir Arafat's address to the General Assembly a year ago culminated an accelerating shift in moral perception confirmed two years before by General Assembly Resolution 2787 (XVII) which for the first time included the "Palestinian people" in an authoritative enumeration of national liberation movements: i.e., those struggling "for . . . liberation from colonial and foreign domination and alien subjugation."

The PLO's legitimation could not have been accomplished without the support of the African caucus. To believe that its support for the PLO reflects simply a desperate need for petrodollars rather than any sense of moral solidarity is to practice self-deception. For some African leaders, need or greed would be enough. But not for all, not for men of such fierce moral commitment as Kaunda of Zambia and Nyerere of Tanzania.

Not many years ago, most African states, including Tanzania, enjoyed distinctly cordial relations with Israel. Israeli agricultural advisers surveyed the possibility of adapting the kibbutz to the necessities of Tanzania's rural development program. Its military advisers trained counterinsurgency forces in Ethiopia and elite paratroop units in Zaïre. Trade missions proliferated. Today, the missions and advisers, even the thinnest diplomatic relations, all are gone.

What, other than the pull of petrodollars, can explain this *volte face*? In part, there is here a certain guilt by association. At the same time that the gradual movement of European states, especially France, toward neutrality was leaving the United States as almost the only sure source of Israeli support, the United States was shuffling ostentatiously closer to colonialism and apartheid in South Africa. In this way, the issues became linked in the African mind. The Arab bloc helped along that linkage by offering heightened support for the struggle against the white regimes, a matter which, until 1973, had evoked its yawning indifference.

But that is only part of the explanation. The shift in African attitudes toward the Middle East conflict also arises, on the one hand, from the evolution of a coherent political-military organization able to incarnate a Palestinian identity and, on the other, the determined denial of that identity by Israeli officials, most notoriously by Golda Meir. This forged a second perceived link between the Israeli and South African cases. Much as South Africa sought to enhance its claims and fragment its indigenous opposition by describing its non-

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white population as a collection of separate nationalities, Israeli rhetoric tended to impose on the Palestinians the nationalities of the various states of their Diaspora.

Before the rise of the PLO, most non-Arab governments saw the Arab-Israeli issue as a problem of interstate relations with a refugee dimension. But after 1967, when the PLO ceased to be a passive instrument of one or another Arab state, Palestinians generally began to think of themselves as a nation rather than simply the former inhabitants of Haifa or Jerusalem or some obscure village from which they or their parents had fled years ago; then they assumed the familiar characteristics of a true national independence movement.

One of those characteristics is a distinct territory to which the PLO can lay claim. Most non-Arab states were not disposed to challenge the legitimacy of the frontiers carved out by the Israelis in 1948 in defense of rights accorded to them by the United Nations. So as long as the remainder of the West Bank of Mandate Palestine was seen to be part of Jordan, the Palestinians had difficulty associating themselves with a territory widely perceived to be legitimately theirs. Israeli occupation of the West Bank and the justifications announced by some authoritative Israelis for keeping at least a part of the seized territory helped to expose the tenuous moral and legal basis for Jordanian suzerainty. The net result was to make the occupied territory seem available for appropriation by Arab Palestinians. Thus the Palestinian people, having acquired almost simultaneously both a recognizable political personality and a potential territorial base, could be integrated into the anticolonial honor roll.

Taken seriously, anticolonialism helps to explain the moral double standard, the obsessive concern with developments in the white enclaves of Southern Africa, and the crystallization of a politicized sympathy among many Southern Hemisphere elites for non-Jewish Palestinians. But as a key to understanding it is even more useful in the economic realm which is today the main battleground for the United States and the Third World. Most dramatically, it is this sentiment that has helped greatly to glue together a solid front of Third World support for the exercise of monopoly power by the Organization of Petroleum Exporting Countries (OPEC). In comparison with its destructive impact on the majority of non-Arab developing states, the stratospheric leap of oil prices is little more than a minor inconvenience to the West. Yet when Westerners speak of military intervention to lower the price for *all* users, or even of concentrated economic pressures to that end, one listens in vain for any sign of Southern support.

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The silence of some oil-poor countries may be attributable to their hope of participating in an effective producer's cartel for another Southern product. But there are at least several dozen states which have not the slightest hope of exploiting the OPEC precedent, and there are many others for whom the prospect of an effective cartel is decidedly remote. Then why the deep reservoir of sympathy for OPEC?

By describing North-South disputes concerning economic issues as a struggle over the distribution of wealth, Northern analysts assimilate them into a familiar form of social conflict. But if nothing more were at stake, one would anticipate defections from the Southern bloc particularly on an issue like oil prices. If, however, one returns to the conception of anticolonialism as an elite's deeply emotional response to a sense of humiliation, then solidarity ceases to be surprising, or at least no more surprising in its way than solidarity among classes in Western states during the two world wars. Perhaps it should be even less surprising, because while a member of the English working class could attribute particular privations to the policies of the upper classes—at a minimum, the bloody suppression of his strikes—the life-style of elites in oil-poor states is largely unaffected by the price of oil. Only the masses suffer and they do not make or seriously influence foreign policy.

It is far less surprising for yet another reason. The average Englishman had never met a Hun. His animosity was entirely vicarious. But all Southern elites have experienced immediately one or more facets of colonial behavior, if not outright domination then at least a searing patronization. They are the leaders of countries once alleged by Western scholars and diplomats to be incapable of participating in the international legal system because they were not "civilized states." They spring from peoples to whom the Laws of War did not apply according to the diktat of the West. They and their countrymen have been and remain to this day objects of study by the cultural institutions of the West. For hundreds of years they have been people to whom things happen. And that is in significant measure why all cheer when a few of their number find the strength to stand up and lash out at the source of their historical torment.

In this respect, close-to universal Southern support for OPEC is only one sign of the subordination of economic interests to ideological preoccupations. A second is the incessant campaign against the obligation, enshrined in the classical system of international law, to compensate the alien owners of expropriated property.

The very fact that most Western scholars and diplomats speak of

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the obligation as if its existence were unquestioned is a sign of an earlier epoch's ethnocentrism. Latin American governments and scholars consistently urged the view that international law required nothing more than equality of treatment for indigenous and foreign investors. Yet, although they pulled all the right buttons on the international legal console and pedaled vigorously, they might as well have been silent for all the effect they had on the views expounded in Western universities and chancelleries or, for that matter, on the gunboats and marines dispatched periodically to enforce the "law."

Recent changes in both theory and behavior, centering particularly on methods for evaluating expropriated enterprises, have opened the door to compromise. So far, no one has walked in. As evidenced in the debate over the Charter of Economic Rights and Duties of States, adopted in December 1974 by the U.N. General Assembly, the Southern bloc continues to demand Western acknowledgment of the death of the international standard. One is reminded of the old Welsh proverb: "The dumb will wait a long time at the door of the deaf."

George Lichtheim was right when he wrote: "No ruling class can function without a creed." One facet of the creed of the ruling class in the West is the sanctity of property. Third World elites know that. Hence they must be fairly confident that they will not secure the acknowledgment they seek. Moreover, even if through some accelerated atrophy of will the United States made the demanded concession, so far as the North-South transfer of wealth is concerned little if anything would have been gained.

What, after all, are the main restraints on confiscation? Clearly not the threat of force. That option was interred in 1956 when the Anglo-French entente flinched at Suez. Nor, in most cases, is it the threatened loss of bilateral economic assistance, the proportions of which have shrunk to the edge of insignificance for most Southern nations. Rather it is the threatened loss of private credit and private investment. And that risk cannot be affected by a formally recognized change in the legal standard. Whatever the standard, private capital will not flow to states ruled by regimes with a penchant for confiscation.

If, as suggested, the issue of compensation is at best marginally relevant to the distribution of wealth and, in any event, the Southern bloc is waging a campaign which it cannot hope to win unequivocally, its furious persistence must reflect something more than a set of shrewdly calculated economic claims. What it does reflect, I would submit, is the claim to autonomy, to insulation from appraisal, let alone intervention, by the governments of Western capitalist states. It is, in short, a collective cry of defiance.

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III

Are there positions available to the United States within the confines defined by its history, its ideology and its domestic politics which, if adopted, would moderate its acerb dialogue with the developing states and thus enhance the prospects for cooperation on the global issues which will not submit to unilateral or even regional manipulation?

If anticolonialism, as defined above, is in fact the paramount source of cohesion in the Third World, one necessary consequence is the intense links it forges among all the issues which it touches. Hence, the successful accommodation of U.S.-Third World differences on some issues would necessarily enhance the prospects for accommodation all along the line. A second corollary of the main proposition is the importance of gestures. It is not only what the United States does that matters; what it says also counts. After all, some of the most damaging humiliations of the colonial relationship were a function of Western rhetoric and the patronizing and contemptuous attitudes which it embodied and to a not inconsiderable extent continues to embody. It is, for instance, still commonplace for Anglo-American "experts" on the Arab world to refer to the "Arab mind" as if it were an unchanging and slightly bizarre object of disinterested study. Yet, as Arab intellectuals wryly note, if one were to speak of a "Jewish mind" there would be an immediate outcry from organs of respectable opinion against the sort of crude stereotyping which the term implies.

The single issue most readily susceptible to accommodation is U.S. policy toward the white-supremacist regimes of Southern Africa. By its consistent behavior, the United States has managed in two decades to transform its image from that of Black Africa's best friend in the West to its most dangerous adversary. Most of the hard work was accomplished during the national stewardship of Richard Nixon and Henry Kissinger.

Early evidence of their tilt toward increased cooperation with the triumvirate of South Africa, pre-1974 Portugal and the illegal Smith regime in Rhodesia was the failure to mobilize effective opposition to the chrome amendment, which opened the doors of the U.S. economy to the full range of Rhodesian mineral exports in clear violation of our obligations under the U.N. Charter. Another piece of hard evidence was Washington's loosening of the ban on the sale of military hardware to the Portuguese and the South Africans. Items clearly susceptible to military applications, including computers (for many years banned for security reasons from East-West trade), light planes,

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and helicopters, were treated as civilian products. In addition, large commercial planes were sold to the Portuguese with no restriction on their use as troop carriers and with the expectation that they would in fact be used for that purpose.

The tilt was magnified by the strident, largely isolated position hacked out by the United States in response to a series of General Assembly resolutions on the situation in Southern Africa. For instance, in 1973, at the 28th session of the Assembly, the Afro-Asian bloc introduced a resolution calling for the formation of a commission of inquiry concerning the reported massacres in Mozambique carried out by the Portuguese army (Res. 3114). It was passed by a vote of 104 to 4 with 12 abstentions. The United States joined Portugal, South Africa, and Spain in casting the four negative votes.

During the same session, the Afro-Asian bloc introduced three resolutions on the Rhodesian situation. The United States opposed all three, including one condemning South Africa and Portugal for violating sanctions imposed by the Security Council—violations established by incontestable evidence—and calling on all states to comply strictly with the economic embargo. On one vote it was joined by Portugal, South Africa, and the United Kingdom; on another, this group was swelled by the addition of France. And on the third, the United States could muster no company other than the pariahs of prerevolutionary Portugal and South Africa.

The following year, with South Africa out of action and Portugal rehabilitated, the United States found itself utterly alone when it voted against a toughened iteration of the Assembly's earlier request for a comprehensive embargo on arms for South Africa (Res. 3324, Para. B). Even a plea for the release of political prisoners in South Africa could not summon U.S. support. The vote was 118 to 0, with two abstentions—the United States and Malawi (Res. 3324, Para. C).

Accommodation is possible here because Black African leaders ask so little of the United States. And much of that little is essentially rhetorical. So modest a gesture as endorsing the view championed by Kaunda and Nyerere that when all peaceful means have been exhausted, any oppressed people may turn legitimately to violence as a last recourse would transform the tone of our relations with the African caucus. And what is such a statement other than a reaffirmation of the Declaration of Independence? Yet the U.S. government continues to insist on a "peaceful solution" in such a way as to imply hostility to violence under any circumstances, thus distorting its own historical traditions while contributing nothing to the "peaceful solution."

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Another modest gesture, one even more clearly within the bounds of domestic political realities, would be a determined effort by the Administration to secure repeal of the chrome amendment and to prosecute energetically any U.S.-related companies and individuals who conspire to evade the economic sanctions mandated by the Security Council. The failure of the U.S. government to meet its treaty commitments in this regard makes a mockery of its critique of procedural irregularities at the United Nations. Not only would this return to legality assuage African bitterness, but it would have the additional merit of fortifying respect for the sanctity of international agreements, a matter of some considerable importance to a powerful state preferring order over change.

There are an array of other low-cost measures available to an American Administration which placed significant value on the amelioration of its relations with the Third World. On the material side, it could widen the ban on the sale of military goods to South Africa; this could be accomplished by employing definitions of strategic goods used in the past to restrict sales to China and the Soviet Union. It could also follow the British lead in using the country's foreign intelligence apparatus to detect violations of Rhodesian sanctions by the nationals of other states. And it could initiate special educational programs openly designed to prepare black Rhodesians, Namibians and South Africans for the assumption of political, administrative, and highly skilled technical roles in societies purged of white-supremacist conceits.

On the symbolic side, it could agree to join the United Nations Council on Namibia, it could declare its opposition to any South African-imposed solution for the Namibian problem which would fragment the country and concentrate its natural resources in minority hands, and it could not merely support but actively sponsor resolutions in the political organs of the United Nations calling on South Africa for the release of political prisoners and the progressive elimination of racial criteria for the enjoyment of social, economic, and cultural rights.

These modest steps would not commit us to a particular political solution. Nor would they be inconsistent with frank acknowledgment that the unique historical circumstances of South Africa make it difficult to safeguard the rights of all its peoples within the context of a single centralized state. We would simply be taking a stand on behalf of a fair division of that tragic country's vast resources, a result which might be achieved by a variety of electoral mechanisms and an equitable allocation of territory. Since opposition to ethnic and racial dis-

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crimination flows directly, albeit sporadically, from our central moral tradition, it should command the support of authentic conservatives as well as liberals.

Right now the question of the Palestinians stands at the other end of the spectrum of tractability. The Israeli government and almost surely a large majority of its electorate are convinced that a wholly independent Palestinian presence on the West Bank represents an intolerable threat to the security of the Israeli state.

Many Israelis cite declarations of the PLO to prove that the Palestinians categorically reject coexistence. Yet many of the same Israelis deride the PLO's claim to represent the Palestinian people. One cannot have it both ways, particularly when one has done everything in one's power to prevent the Palestinians from acquiring a political form in which they could at least speak for themselves. The Israelis some years ago dismantled an Arab nationalist party within their own state and have effectively suppressed political activities on the West Bank since the beginning of the occupation.

There is, moreover, the question of mutual recognition. While the rudimentary organs of self-expression now possessed by the Palestinians withhold recognition of Israel, their mirror image is the government of Israel which, since the failure of partition, has generally denied that the Palestinians are a distinct people with a peculiar historical attachment to the villages and towns and cities of Mandate Palestine rather than an essentially indistinguishable part of the surrounding Arab world.

In private, Palestinian intellectuals often insist that official Israeli recognition that non-Jewish Palestinians also have legitimate territorial claims on the West Bank would open the door to genuine reconciliation. Yet one cannot fault the Israelis for hesitating. They accepted the original United Nations decision to divide the land. They were compelled to fight in defense of the land ceded to them. And to this day even the ablest and most morally sensitive Arabs, after alleging their grudging acceptance of Israel as an immutable fact, in the next breath wistfully imagine the ultimate "peaceful" assimilation of Israel into a larger state system in which Judaism would lose its political form.

There is every reason to take seriously the stated determination of Israel to fight yet a fifth war rather than concede on issues deemed fundamental to its long-term security. The present Israeli government may be erroneously calculating the risks of negotiating directly with the Palestinians or of recognizing in any other way their right to self-determination in the West Bank occupied territories. But so

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long as it hews to the view that such recognition threatens vital security interests, the ability of the United States to remove the issue of the Palestinians from its confrontation agenda with the Third World is powerfully circumscribed. Domestic political realities, moral commitments, international credibility, and the threat to Western interests immanent in any outbreak of conflict in the Middle East—all preclude the theoretical option of abandonment.

On the other hand, the United States need not act as if it were completely paralyzed by Israeli immobility. In the end, the Arab-Israeli conflict can be resolved peacefully only by agreement over the repartition of Palestine. Suppose the United States were openly to characterize the conflict in these terms while coincidentally announcing its resolve not to exercise leverage on behalf of partition until the Arabs demonstrate that they are at last reconciled to it. Such a gesture might simultaneously strengthen our relations with the major Arab states while bolstering those political forces within Israel willing, for moral and practical reasons, to explore the grounds for compromise with their fellow Palestinians. But its main virtue would be to soften our image as an intractable opponent of change by indicating that whatever we may think of their present set of leaders, we are not deaf to the appeals of the Palestinian people.

IV

There are few more contentious questions in American public life today than the possibility and desirability of accommodation with the Third World on so-called economic issues.

The anti-accommodationists, exemplified in the writings of Patrick Moynihan and Irving Kristol, argue along the following lines: The Third World is attempting to extort—through economic blackmail, moral bullying, and outright theft—a portion of the West's legitimately acquired wealth. The declared justification for redistributive claims, compensation for colonial and neocolonial exploitation, has no basis in fact. As Kristol, echoing Moynihan, has declared, Third World "economies do less well than they ought: . . . the difference is of their own making and no one else's, and no claim on anyone else arises in consequence." The West's failure to reject this justification simply encourages ever more arrogant, extortionate demands. Gestures of accommodation, both rhetorical and substantive, are construed by the Third World as evidence of a loss of will. Which, in fact, they are. And so the demands, by their nature insatiable for there is no practical limit to the "reparations" which can be justified under the theory of compensation, can only grow.

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While rhetorical accommodation is said to sap our will while bolstering theirs, substantive accommodation is said to have still more serious consequences. A "New International Economic Order" designed to equalize rather than to produce wealth will undermine the incentives to efficiency, rationality, fiscal discipline and hard work which lie at the root of the First World's productivity and hence of its wealth. In absolute terms, the economic decline of the West is detrimental to the Third World as well. But that will not affect the views of Third World elites because they are essentially disinterested in productivity. What matters to them are relative shares. Now is the time to take a stand, it is claimed. If we consent to new structures which simultaneously shrink the economic pie and leave a smaller percentage in the hands of the West, it will be progressively more difficult to resist at a later date.

Implicit, sometimes explicit, in this line of argument is the claim that the developed states still deploy sufficient power to resist the Third World's redistributive efforts. The latter is portrayed largely as a paper tiger, faking it with éclat, to be sure, but still faking it. Precisely why we should regard the Southern bloc in this light has yet to be adequately explained. In the writings of Kristol and Moynihan and other such neo-conservatives one looks in vain for a serious effort to project the costs of the coercive measures required to assure continuing access to the resources and growing markets of the Third World. Seemingly buried in their subconscious is the idea that colonial rule was relinquished as an act of grace. In fact, as John Strachey and other students of imperialism have demonstrated, the colonial retreat was a grudging concession that once the Third World became infected with the virus of self-determination, the price of domination became intolerable.

For decades, France occupied Vietnam with an army of less than 20,000 men. But once the dormant idea of national independence came round again, the United States could not hold half of the country with 500,000 men and a million native auxiliaries. The proliferation of modern weapons in the Third World can only increase the costs of coercion. Moreover, the level of destruction required to reassert a Northern imperium would in many instances jeopardize the very economic ends for which the effort would be made.

Much anti-accommodationist rhetoric is unremarkably reminiscent of the haute bourgeoisie's response to working-class demands during the ascendancy of laissez-faire economics. The poor were deservedly so, the rich as well. The distribution of wealth was determined by the free market which in turn reflected an individual's net contribution to

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productivity. The poor were profligate, incapable of postponing consumption. Any effort to tamper with the workings of the market would reduce the wealth of the nation without any corresponding benefit to the poor who would only dissipate it in reckless consumption. To compromise with these basic principles was to threaten the whole structure of legitimacy, including private property and democratic liberties. (That the men propounding these views were often hard at work substituting their hands for the invisible one of the market seems to have affected the intensity of their belief not at all.)

The profound fear that accommodation would topple the whole structure, that concessions would simply feed an insatiable appetite, helps to explain the animosity generated by that arch American accommodationist, Franklin Delano Roosevelt. Wildly vilified as a traitor to his class, F.D.R., the supreme pragmatist, contemptuous of ideology, set about saving that class. In retrospect he seems a human analogue to Irving Kristol's vision of the State Department recently set forth in the columns of *The Wall Street Journal:* a "non-ideological institution which never fully appreciates the ways in which words and ideas ultimately shape world politics and always prefers negotiation to confrontation."

What in fact happened to mitigate the class conflict which in the early decades of this century threatened to tear apart the national societies of the West and undoubtedly played a major role in the rise of fascism? What, in essence, did accommodation involve? It had, it seems to me, several elements. There was the creaming off and cooptation of the natural elite of the working class. Some members were drawn off early by opening the channels to higher education. Those who rose within the institutions of the working class, the trade unions, were welcomed into the establishment.

Their followers were pacified in very small measure by vicarious participation in the structure of power and in very large measure by receipt of slightly increased shares of a very rapidly growing pie. There is no evidence that any existing wealth was redistributed; but there was some redistribution, albeit modest, of shares in the large increments which Western economies began to produce after World War II. In addition, Western governments increased the security of the workers with measures that cushioned temporary setbacks in particular industrial sectors and in the economy as a whole.

Governmental policies effecting modest redistribution of the incremental shares and increasing security of expectation were not uniformly successful in the United States in giving the working class a vested interest in the basic institutions and ideology of the capitalist

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society. A quarter or more of the lower classes were left far behind the rest. In effect, those policies succeeded in creating two classes with sharply divergent interests. Members of the lower classes who worked in the key industrial and service sectors acquired a bourgeois outlook; they came to identify more closely with the upper classes than with those who were left behind.

Is the present struggle between the classes of nation-states not susceptible to mitigation by the employment of an analogous strategy of accommodation?

Some may cite the embittering experience of colonial and racial domination as a differentiating factor. For all the residual force of that experience, there is reason to question that it has been much more searing than the experience of Western working classes before they organized effectively for the ascent to political power. It is not only a question of parallel physical privation, but of humiliation. Conor Cruise O'Brien called attention some years ago to the striking similarity between racist apologetics for colonialism and the degrading descriptions of the English working class found in nineteenth-century tracts commissioned by the paladins of industry. In both cases, the exploited object is characterized as a repulsive, lower order of humanity.

In many respects, indeed, the strategy of accommodation might in fact be easier to implement in the present case than in its predecessor. Our conflict is not with huge, anonymous masses whose demands have to be aggregated through fairly uncertain representational arrangements. For the most part, Third World elites are even less committed to human equality as a general condition of humanity than are we. They are talking about greater equality between states. And in their largely authoritarian systems, the state is they.

What contemporary Brazilian statesman deplores the fact that the wealthiest 20 percent of his country's population receives over 60 percent of the national income while the lowest scrapes together three? Is there any record of a parliamentarian in the former French territories of West Africa returning part of his monthly pay because it was the equivalent of what a peasant would earn through 35 years of incessant labor, in the unexpected event that he lived so long? The central fact is that the overall number of people who have to be given a stake in the essential structures of the existing international economic system is relatively small.

That is one factor which makes accommodation seem potentially easier or at a minimum not more difficult on balance than in the prior case of class confrontation. A second is the existence of articulate,

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well organized representatives with whom to negotiate: the bureaucrats and political leaders of the 100-odd states which aggregate the demands of the Third World elite. There is, moreover, no reason to doubt whether the negotiators can deliver their constituents. For unlike nouveau-riches labor leaders separated from their followers by the sheer fact of becoming negotiators, the Third World's representatives are an animate expression of the yearnings and aspirations of the elite which for the indefinite future will dominate most of the states with whom we must negotiate.

Of course the tenure of these specific negotiators may be transient. But the stability of new agreements forged in the spirit of accommodation will rest not on personal commitments but rather on their ability to reflect the class interests of which these leaders and their successors in the game of Third World musical chairs are a continuing embodiment.

A third factor facilitating accommodation is the very small number of representatives that have to be co-opted into senior decision-making roles in the management structure of the international economy. In Africa, only Nigeria. In Latin America, Brazil and Venezuela, perhaps Mexico. In the Middle East, Saudi Arabia and Iran. And in Asia, India and Indonesia.

V

If one is persuaded by the overall analogy, what programmatic conclusions might follow? What must be defended? And what can be conceded without threatening the fundamental arrangements which an accommodationist policy, as much as the hard line, is calculated to preserve?

What must be defended in the large is an economic system which rewards the capitalist virtues of investment, innovation, hard work, and sensitivity to the shifting needs and preferences of consumers. As Lincoln Gordon recently noted, this is one of the reasons why a comprehensive system of "price indexation" should be unacceptable: "If world demand is shifting away from a given commodity, . . . what is needed is a structural shift in . . . production and exports to items in stronger demand." Preservation of the incentives to practice those virtues is essential because without them the world's product will shrink. That is bad for the North, worse for the South, and absolutely destructive of any possibility of accommodation. For if anything is clear it is that the electorates of the First World will not support revisions in the economic order which intensify the transfer of *existing* wealth. It is with respect to the distribution of new increments of

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wealth that the "Haves" may be prepared to concede larger shares to the "Have-Nots." Hence, accommodationists must take a hard line against proposals which would reduce the prospects for growth in the global product.

Ironically, preservation of the principled foundations of the existing international capitalist system—an assemblage of values and institutions designed to reveal comparative advantage and reward economic efficiency—actually requires some practical concessions from the North rather than the South. A central plank of the latter's platform is removal of the various tariff and nontariff barriers to its present and potential exports. As investment in Southern infrastructure comes to fruition, comparative advantage in labor-intensive products shifts progressively away from the developed states. Volkswagens can already be produced more cheaply in Brazil than in Germany. For many textiles, the South's advantage has long been apparent. In addition, certain raw materials can now be refined with equal or great efficiency at their Southern sources.

So in this area, at least, all the South must yield is its rhetoric—the claim for reparations. It is we who must yield the tangibles: higher tariffs on refined raw materials, coerced textile agreements and the various other gimmicks—including restraints on the export of capital and related jobs from sectors of Northern industry that have lost their competitive edge—with which we cheat or might soon like to cheat on our own ideals.

This will be painful. If it were not, the North would have done it long ago simply in order to maximize its own growth. But if we cannot accommodate where we are asked only to bring practice into line with economic ideals, it is hard to foresee any option other than the barricades.

Consistent with its bedrock objective, the North also can respond affirmatively to Southern demands for tariff preferences in cases where they rest on a plausible claim to infant industry status rather than a mere appeal to equity. Nor is there any systemic objection to an affirmative response on the issue of more stable commodity prices. The North's record of economic dynamism since World War II suggests that public intervention in the market to prevent radical oscillations is perfectly compatible with and probably contributes heavily to economic growth, as well as social peace. What we cannot do, however, is guarantee a price level for any commodity in long-term opposition to powerful trends. On the other hand, following the domestic analogy, there is ample justification for accumulating funds to ease the transition out of declining economic activities.

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The nub of the matter is that a considerable measure of economic security is thoroughly compatible with economic progress. That has become Holy Writ in the national societies of the North. To the extent that the South now seeks to extend the venue of this once radical notion, I see no principled grounds for resistance.

VI

Petroleum earnings have already given one bloc of Third World states a considerable material interest in preserving the basic features of the international economic system, including the prosperity of the First World. Reduced barriers to Third World exports, transitional preferences for new industries, and the unimpeded flow of capital and technology will enhance that stake and extend it to other countries that have sufficient assets and organization to grasp the resulting opportunities for accelerated growth. In theory, then, one might expect the large number of Third World countries that could benefit from such pragmatic changes to adopt in time a sort of middle-class outlook of their own and to dissociate themselves from a rhetoric of revolution and revenge. Yet even with these countries the answer will not be as easy as that, for reasons related to our earlier analysis of the attitudes that bind together all the Third World countries.

Let us look again at our recent behavior. In the first place, the transfer of wealth effected by the oil-producing OPEC states has not gone unchallenged. Official references to military action in case of "strangulation" and a drumbeat of unofficial calls for recourse to force or an economic blockade simply to roll back prices do not inspire confidence in the West's acceptance of the newly rich. Fearing an effort to reverse their gains, the oil producers naturally seek allies among the class of disadvantaged states from which they have sprung.

Secondly, given the rancorous response to this initial loss of unquestioned economic dominance, the OPEC states and others in the economic vanguard of the Third World can hardly assume that the reforms required to consolidate and expand their beachhead in the international economy will be conceded without additional struggle. The solid front and the radical rhetoric are in part designed as instruments of effective bargaining with what is seen as a tough and thoroughly unsentimental adversary. The protagonists of a hard line may convince themselves that the liberals' guilt has cost the West its will, but to the presumed beneficiaries of that loss of will it is not the "liberal" but the rigid reaction that comes across as dominant.

The radical rhetoric is not, of course, simply a bargaining ploy. It also functions to hold together the alliance of traditional "Have-

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Nots." There is yet another reason for the harshness of Third World rhetoric. To return to our original theme, more, much more, than economics is at stake. There is the question of dignity and respect, the redress of profound humiliations. Those humiliations continue.

Calls for action to dam the outward flow of petrodollars are often linked with vilification and crudely bigoted stereotyping of the Arab recipients. Economic coercion, so long a powerful weapon in the foreign policy armory of the United States, is transformed into "blackmail" when employed to advance the interest of other states. The clear implication is that only we have the decency of motive, the loftiness of purpose, to be entrusted with power.

The often unconscious bias which infects so much of our own rhetoric about the Third World resonates against a background of subordination to the West. Through our language, the transparent skin of our thought, we succeed only in raising the emotional barriers to pragmatic accommodation. A change in tone, possibly foreshadowed by Secretary Kissinger's more recent comments on international economic issues, is a good way to begin the process of lowering them. The small gestures enumerated earlier in our discussion of the political axes of confrontation will help. So will a formal reception of the Third World's leading states into the management group of the international economic system. Countries such as Brazil, Venezuela, Mexico, Iran, Nigeria and at least one of the major Arab states might, for instance, be invited to join the Organization for Economic Cooperation and Development and other organs of developed-country consultation.

The advocates of confrontation claim that no useful overall bargain can be struck because as soon as the Third World has devoured its benefits new demands will be made. Support for a policy of accommodation, however, does not imply support for a grand compact. Indeed, the notion of a grand compact is an illusion. The stunning diversity of problems and parties converging in this period of accelerating change simply do not admit of a single or final solution. There must be many bargains, not all of them among precisely the same parties. Some bargains will wholly resolve the issues to which they are addressed. Others will be stopgaps. Still others may prove so asymmetrical because of developments which the parties could not foresee that, just as in domestic society, the parties will have to renegotiate. No bargain is forever.

And there will remain desperately serious problems with the so-called Fourth World, for they, like the lower classes in American society, are disabled by a congeries of historical and natural forces

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from exploiting the opportunities for more effective participation in the competitive system. One cannot yet visualize the combination of self-help and external effort that may in time improve the lot of these poor countries. Neither the amelioration of their present agony nor the beginnings of rehabilitation can be accomplished without joint effort, free of rancor, on the part of the West *and* the more advanced Third World countries.

VII

In the years of bitter class conflict between capital and labor, before the ameliorations and compromises of the welfare state, many advocates of a hard line against the demands of labor invoked the alleged insatiability of those demands in support of a confrontational strategy. In one sense they were right, even trite. Once the myth of divinely authored shares in the social pie is fractured, no group settles willingly for less when it can, without risk, have more. Competition and struggle over the allocation of wealth and power seem endemic. But so, too, may be cooperation, which grows both out of fear of loss and the desire for absolute as well as relative gains.

One of the potential strengths of the present international system is the reality of national interdependence which creates an objective need for cooperation and consequently for accepting sharp restraints on the competitive aspects of interstate relations. The principal danger is an irrational assessment of risks and opportunities. Nothing is better calculated to promote miscalculation than the pretense that the equilibrium of power has not shifted, that we can continue to dictate to the Third World on the terms which sufficed in the epoch of the Western imperium.

Although the confrontationists indict advocates of accommodation for discounting our still-great strength, in fact, as is so often the case with those who extoll coercion, it is they who seem infected with a debilitating insecurity. To accommodate sensibly to real changes and legitimate demands is not the sign of a weak will. It is rather the essence of statesmanship.

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THE EUROPEAN COALITION IN A FRAGMENTING WORLD

By David P. Calleo

EUROPEAN integration has grown unfashionable. Those whose interests follow the foundations have long since migrated to "transnationalism," "trilateralism," "globalism" or "problems of advanced societies"; those more attuned to governmental circles reflect the current official displeasure at an "inward-looking" European bloc. Indeed, Europe's collective endeavor seems to provoke American analysts to irritability and even contempt. For those enamored of various versions of Pax Americana, the development of a powerful European bloc is now seen to threaten U.S. hegemony and global order. But even many who presumably desire a strong Europe, and a more plural world order, seem bitterly disappointed with Europe's progress. Europe, it appears, has not measured up to American expectations; it appears to lack will, vision and legitimacy. Its Community has become a supermarket rather than a superpower.

This common view may, however, prove wrong. For in today's extremely fluid international situation, further disoriented by the energy crisis, Europe's coalition shows signs of a new vitality. Europe's states, confronted by a dislocated world system, have significantly heightened their mutual cooperation, as well as made a major effort to extend their influence in the Mediterranean and Middle East. The importance of these efforts has, I believe, been insufficiently recognized, in great part because of widespread misconceptions about the nature of the coalition which the European states have been building.

II

Throughout Europe's postwar history, most American analysts have never understood the character of European integration. Consequently, both American hopes and disappointments have been inappropriate. Most have been derived from Monnet's vision of European union as a supranational, technocratic way station toward an Atlantic Community. Whatever its virtues, Monnet's vision has never been the relevant model for European integration. The Europe of the Six or of the Nine has never been a nascent federal state—fated to be governed by trans-European political parties or cosmopolitan technocrats. Instead, the European Community has always been a confederal bloc. States have joined it not to give up their sovereignty, but to protect it. This point, so universally misunderstood, is central to any

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realistic assessment of Europe's elaborate interstate structure, and consequently its regional and global roles.

As de Gaulle's longtime Foreign Minister, Couve de Murville, once observed, sovereignty is never absolute, but always conditional. No nation can escape from interdependence with the external and internal realities which set the frame within which its government must operate. Couve's view seems obviously true. Our American historical experience may allow us to conceive of sovereignty as absolute freedom, but no modern European state has long been able to ignore a highly constrained framework of powerful neighbors. Hence, in the perspective of European historical experience, it seems unrealistic to define sovereignty as absolute freedom for a state to do as it pleases, and to regard commitments undertaken by a state to its neighbors as losses of effective sovereignty. Recognizing sovereignty as always relative and conditional, a more realistic view would see interstate commitments as a means of increasing rather than diminishing effective national sovereignty.

In practical terms, national sovereignty can more usefully be compared to the idea of free will for the individual. Neither requires an absolute exemption from an external environment of things and people, but rather the capacity to choose for oneself within the context of objective historical possibilities. For a nation, as for an individual, the context is often rather limited. A limited context, of course, does not necessarily mean a loss of freedom. Freedom, practically speaking, lies in realizing whatever version of the good life animates the national community. These notions invariably contain a desire not only for peace and prosperity, but also for independence, in the sense of not being run by foreigners. Sometimes, of course, a nation or individual defines its own self-realization in such a way as to demand domination over neighbors. The function of an international system, we might say, is to curb such pretensions by organizing the resistance of neighbors to protect their independence.

In any event, states constantly make commitments which limit their theoretical freedom of action. And, to return to my first point, they make such commitments not from a desire to alienate freedom, but in the hope of increasing it. In today's world, freedom—or sovereignty in a practical sense—means the capacity to shape the national environment in order to advance toward the goals desired by modern societies. Achieving such goals, we have come to believe, requires a high degree of mutual economic access. In particular, for modern industrial states with limited home markets, the capacity to sustain high technology—needed probably for prosperity and certainly for

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self-esteem—requires a high degree of economic integration with neighbors. Hence, in these matters as in others, states enter into integration arrangements to enhance rather than to give up their freedom. As long as these arrangements do, in fact, advance the goals, without causing an intolerable sense of being dominated by external forces or alien elites, a state will retain its commitment to integration. When that integration, however, begins to threaten self-determination—either by interfering with national goals or robbing a state of effective control of its domestic environment—a state will tend to withdraw from integration, insofar as it is able.

All these rather abstract considerations are highly relevant to understanding the nature of European politics. Europe's union is a confederal union of states. The states of Europe have entered into their mutual engagements because they believe, in today's world, they are best able to pursue their national goals in close partnership with each other rather than separately. The political foundation of Europe's confederacy lies, in fact, in the external threat to the self-determination of its states. Whereas after the decline of the Turk the greatest threats to European independence came from inside Europe, since World War II the principal threats are once again external. European states singly are no longer able to protect their self-determination against states on the scale of Russia and the United States. Were it not for the superpowers, Europe would probably not need a union of states. Europeans would return to elaborating further those animosities to which they would so clearly prefer to cling. In short, they would go back to fighting each other.

Confederal structures have obvious weaknesses, and perhaps less obvious advantages. Confederations are only as strong as the political impulse to cooperation among the constituent national states. Membership remains conditional. Recalcitrant partners cannot easily be coaxed or compelled into general agreements. As interests must inevitably vary, confederations have a strong tendency toward divisiveness, a condition which tempts outside manipulation. On the other hand, the looseness of the confederal structure may have many advantages. Among independent states, when no one power is strong enough to dominate the rest, a tighter constitutional structure may cause particular conflicts to spill over and provoke a general breakdown of cooperation. A confederal structure, by its very looseness, allows numerous escapes and hence limits conflicts. In external policy, moreover, a confederal structure, if it lacks the unity of a national state, also permits a greater flexibility in approaching other powers and offers a less salient target for retaliation.

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III

Over the past twenty-five years, Europe's thrust toward union has grown within the possibilities set by the general world position of Europe's states. Since World War II, Europe has been an American military protectorate. Europe's defense against Russian pressure has depended directly upon the American alliance. Europe's economic prosperity has similarly come to depend upon a world system of access to raw materials and markets, a system sustained by American imperial power. At the same time, thanks to the Common Market and the generosity of American policy, Europe's dependence has not been unduly expensive for European interests. Indeed, Europe's states have known unparalleled military security and economic prosperity, and without any great sacrifice of the capacity to sustain and shape their own domestic societies as they have pleased.

In recent years, however, dependence has grown less comfortable. Three new features of the postwar system have contributed to this unease. First, the United States has gradually moved toward a general understanding with the Soviet Union. The basis of that understanding has clearly been a mutual acceptance of the status quo, in particular the European status quo. For Europe in general, and Germany in particular, the territorial status quo, however comfortable, is far from ideal. Hence, faced with the opportunities and dangers of détente, European powers have taken their distance from American diplomatic hegemony and cultivated "Eastern policies" of their own; to some extent, these Eastern policies have been coordinated.

A second element of unease has come from the gradual collapse of the world monetary system. The United States has never been able to finance adequately its worldwide military and economic policies. Several years of basic deficit have sapped America's huge reserves. Accumulating dollar balances—held mostly by Europeans and Japanese—have helped fuel worldwide inflation, whose consequences threaten the economic and social stability of Western Europe's nation-states. Hence the initiatives in recent years to build a European monetary union, which could, if necessary, uncouple Europe from a U.S.-dominated international monetary system. A monetary union would encourage stable relations among the Europeans, even if within an international system of floating exchange rates. Otherwise these floating rates, essentially a cover for negotiated devaluations, threaten the postwar open trading system among the Europeans themselves.

Finally, the oil crisis has brought a new element of trouble. For the crisis not only poses immediate dangers, but reflects the gradual break-

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down, signaled by the Vietnam War, of that postwar world order built and sustained by American power, which has guaranteed Europeans unimpaired access to raw materials and developing markets. America's gradual loss of power, coupled with policies which bitterly antagonized the Arabs, together resulted in an oil embargo which seriously threatened Europe's economic prosperity. And the oil crisis not only presented Europe with a grave and immediate danger, of long-term significance, but also revealed Europe's inadequacy to face that danger.

In short, the postwar system seems to be changing rapidly and Europe's position with it. How will the changes affect Europe's future, and in particular the fate of its confederal coalition?

There seem two alternative views. The first sees Europe gradually declining from postwar prosperity and security, based upon an inexpensive dependency upon the United States, to a less comfortable subordination to either one or the other of the superpowers. Europe, it is thought, has been living in a fool's paradise, in which European societies have enjoyed the fruits of a world security and prosperity without having to worry about sustaining the political and military foundation. In a more straitened world, which will come from the relative collapse of American power, Europe, far more dependent upon the international system than the United States or Russia, will be the principal victim. Either Europe will be "Finlandized" as a Russian dependency, or else will become another Canada or Mexico to the United States.

A second view sees Europe, its vital interests no longer reliably guarded by American hegemony, intensifying its union and independence. In the comfortable climate of the 1950s, Europe's states were understandably reluctant to proceed to more intimate cooperation. But the growing threats to European domestic sovereignty, in the sense in which we have defined it, will, it is thought, make European governments increasingly willing to proceed further into their confederal union. In other words, the challenge to the economic security of Europe's national states is seen as resulting not in the collapse of their coalition, but in its intensification and further extension. Such a development, after all, would not be an illogical reaction to the present historical situation. A European bloc would seem the natural response of Europe's developed middle powers faced with a fragmenting world order. In the end, the United States will probably not be able to reestablish its global hegemony and reverse the trend of recent years. Meanwhile the costs of breakdown will grow. Monetary disorder has already brought inflation to the danger point for

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Europe's social stability. The oil crisis has shown Europe the costs of dependency on an alien power, particularly when that power is no longer able to maintain its sway, and can less and less afford generosity to its clients.

It is not, and indeed has never been, difficult to develop abstract arguments that a strong bloc would be in Europe's best interest. Most observers, however, find it difficult to believe that the European states have, in fact, been building such a bloc, and with reasonable success.

IV

Does European behavior in the oil crisis indicate the first or second alternative? In the usual view, it suggests the first. On the one hand, the European states are said to have failed to hold together in the face of Arab pressure, most notably in the instance of the selective embargo against Holland. On the other hand, they have also seemed to give way to American pressure to treat energy policy on a "global" basis; in other words, to follow policies set by the United States. Hence, in the Washington Energy Conference in 1974, the Europeans abandoned their carefully worked-out common position and left France in angry isolation.

American policy in the oil crisis seems unambiguous. We have sought to break the producers' cartel, and thus reassert something of our old mastery over the world's oil supply, and, at the same time, to use Europe's sudden vulnerability as a means for reestablishing our European predominance, badly shaken by the monetary troubles of recent years. Both ends are served by a users' bloc, organized under our leadership, to treat with the oil-producing OPEC countries collectively and to control the recycling of funds to those European countries in acute balance-of-payments difficulties. Meanwhile, American policy frowns on separate national initiatives—both on general ideological grounds that problems such as food and energy can only be resolved on a "global" basis, as well as on the tactical grounds that the Western states can bargain successfully only if united. European states, we reckoned, would have to accept our strategy and leadership because the oil crisis had so weakened their trade and finance that no reasonable alternative was left them. Such views were further encouraged by widespread estimates which saw the bulk of the oil profits and new trade being directed to the United States.

This general view of the crisis and its effects has seemingly been confirmed as the European states, France excepted, have joined the International Energy Agency (IEA), the American-inspired structure which purports to deal with the energy crisis on an Atlantic

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(or "trilateral") rather than a European scale.

There is, however, a different interpretation of these events. The oil crisis, while it has caused serious domestic and intra-European frictions, has, on balance, also proved a powerful impulse toward the formation of a European bloc with special relations with the Mediterranean and Middle Eastern countries. That impulse has already resulted in an array of special agreements between the European countries and the oil producers, as well as a new degree of economic cooperation among the European states themselves.

The initial stages of the oil crisis caught the European governments badly unprepared. Years of unsuccessful wrangling over a common energy policy had left a heritage of obstinate inaction in the whole field. Emotional differences over Israel, plus the usual split over Atlantic versus European orientations, impeded further any common European stance toward the Middle East. These European divisions were neither frivolous nor cowardly, but deeply rooted in respective national interests and policies. Too much has been made, in my view, of Europe's supposed failure to stand up to the Arabs, in particular in face of the selective embargo against Holland. The European states faced a crisis of major significance. Their vital economic interests threatened, they could hardly afford to lose their heads over the fleeting satisfactions of rhetorical solidarity. In due course, discreet diplomacy persuaded the producers to drop the embargo. Meanwhile, more serious negotiations went forward.

The Europeans found their best tactic in shifting the negotiations away from immediate confrontation to a framework of long-range regional economic development. Within such a perspective, the European bargaining position became much stronger. As the principal customers for Arab oil, Europeans could argue convincingly that their prosperity and Arab development were interdependent. The Arabs were demanding a major shift in real resources to promote their economic development. The Europeans, while accepting the shift, could not make it if they were ruined in the process.

Nearly all these approaches, however, were made in bilateral negotiations, which many observers have criticized as yet another indication of weakness and disunity. But under the circumstances that prevailed, bilateral approaches were clearly the most efficacious tactic. At best, negotiations *en bloc* would have been extraordinarily inflexible for both sides. Even if they had managed to surmount the difficulties of coordinating nine governments, each with diverse interests, perspectives and connections, the Europeans in all probability would have found an equally baffling diversity among the producers.

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Moreover, bloc negotiations would have been particularly vulnerable to American displeasure. In short, a European bloc negotiation, even if possible, was not self-evidently preferable to an overlapping network of individual national deals—each of which drew upon special connections and blandishments.

Bilateral negotiations have, in fact, gone forward rapidly. Not only have significant agreements been concluded, but considerations of long-range planning and mutual interest have come into play and modified, to some extent, the original atmosphere of hectic confrontation.

The next step might conceivably result in a comprehensive agreement between the European Community, as such, and a bloc of Mediterranean and Middle Eastern states. Exploratory negotiations have begun and may perhaps eventually lead to some framework for organized cooperative planning. The European Community (EC) has had impressive experience in negotiating such agreements; for example, a comprehensive treaty, the ACP-EEC Convention of Lomé, was signed in 1975 with 46 countries in Africa, the Caribbean and Pacific. The Convention allows nonreciprocal access to European markets for nonagricultural products, makes special provisions for stabilizing various agricultural commodity prices, and also provides substantial financial and technological aid. Elaborate joint machinery is to supervise the Convention's application and carry forth some joint economic planning.

The same general approach—which involves access, aid, technical assistance, stabilization of export earnings and discussion of economic plans—is being proposed in agreements currently being negotiated with both the Maghreb and the Mashraq (Egypt, Jordan, the Lebanon and Syria) states. While these multilateral experiments are interesting, the diversity on both sides may preclude too formal an arrangement among European and Mediterranean and Middle Eastern countries. And, with the traditional American opposition to such initiatives, formal bloc structures may provide too easy a target for American displeasure. The same European-Mediterranean linkage may be achieved more practically through an expanding network of limited agreements and bilateral understandings, especially if general economic coordination increases among the European states themselves.

In any event, structured economic ties between the Europeans and the Mediterranean and Middle Eastern countries have grown with impressive speed since the oil crisis. Intergovernmental and private agreements, involving several billions of dollars in trade and tech-

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nological exchange, now link Britain, Denmark, France, Germany and Italy with various major Mediterranean and Middle Eastern states.[1] Significantly also, the great bulk of surplus oil funds has not gone to the United States as many predicted, but to European capital markets. Of the $55 billion of surplus funds in 1974, $37 billion has gone to short-term investment. Of this sum, $20.5 billion has gone to the Euro-currency market and an additional $6 billion to European national capital markets. By contrast, only $10.5 billion has gone to the American short-term market. Estimates for 1975 suggest a sharp falling off of even that limited degree of Arab recycling to the United States.[2] To be sure, the United States managed to increase its trade to the oil producers in 1974 by 81.8 percent, thus capturing 26 percent of the collective imports of OPEC countries. Nevertheless, collective European trade also increased by 59.4 percent and still accounted for more than 53 percent of the collective OPEC imports. European imports are predominant in the big markets of Nigeria, Egypt and Algeria and have a strong position in Iran.[3]

Nothing, of course, guarantees that present trade and investment patterns will develop into an intensely interdependent European-Mediterranean-Middle Eastern economic community. Still, the economic logic is not without force. The Arabs and the Iranians have the oil and the Europeans need it.[4] Moreover, oil is not the only basis for their interdependence. Countries like Iran, Algeria, Iraq or Egypt see oil wealth as the platform for a general industrialization of their economies. To achieve such a goal, they require a stable long-range partnership, involving not only investment but also technological help and market access. Before the oil crisis, Arab weakness was itself an obstacle to any such stable relationship with Europe. The price increases obviously give important bargaining weight to Mediterranean and Middle Eastern countries. Nevertheless, their oil is a finite asset, of enduring value only if Europe's economies and governments remain healthy and friendly. Under these circumstances, Europe's great in-

[1] Bilateral trade agreements include those linking Iran and Iraq and Denmark, France, Germany and Italy. Iraq, Iran and various sheikhdoms are also involved in some substantial cooperation agreements. Some very large agreements with private companies are signed or in prospect. For a summary of bilateral trade increases, see *The Hudson Letter,* June 2, 1975, *International Herald Tribune* (Paris).

[2] *World Financial Markets,* Jan. 21, 1975, and April 15, 1975, Morgan Guaranty Trust Company of New York.

[3] *The Hudson Letter, loc. cit.*

[4] In 1973, imported oil met 60 percent of the energy needs of the Common Market countries (42 percent from the Arabs). By country: Britain 27 percent (30 percent Arab), West Germany 59 percent (38 percent Arab), France 77 percent (53 percent Arab), and Italy 84 percent (60 percent Arab). By contrast, U.S. 17 percent (4 percent Arab). *International Economic Report of the President,* March 1975, p. 8.

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dustrial strength, as well as the dependence of Arab wealth and domestic development upon general Western prosperity, serves to provide the foundation for an interdependent European-Mediterranean relationship. Since the oil crisis, the relationship is more balanced and thus perhaps more stable.

A European-Mediterranean bloc will presumably have to be built in opposition to the American attempt to control Western relations with the Arabs. Europe's success in any significant degree will mean a major external extension of an independent European political-economic influence. That Europe should appear to be embarking upon such a course is, in itself, a significant trend.

But, as I have admitted all along, the trend may not be that which predominates. Commitment to a European-Mediterranean regional bloc runs risks and involves a long-range shift of wealth to the oil-producing countries of the Mediterranean and Middle East. Such shifts are always painful, even if they create new opportunities. For these and many other reasons, including sympathy with Israel, many in Europe would welcome a reassertion of American hegemony in the Middle East, even if Europe lost thereby an opportunity to escape from its own Atlantic dependence. Nevertheless, it can hardly be argued that no obstacles impede a reassertion of an American hegemony—either over the oil producers or the Europeans.

Under the circumstances, European governments hedge their bets and follow both the regional and the Atlantic strategies. Even if the American pledge to share oil may be doubted by some, and our schemes for self-sufficiency are generally taken with a grain of salt, still, as long as European states are free to pursue their regional strategy, they see little harm can come from indulging American diplomacy. Thus, they join the International Energy Agency. Real benefits, moreover, can come from planning for new emergencies, sharing technologies and gaining better intelligence about the oil companies and their marketing practices. And the elaborate financial arrangements could be vital in some new crisis, even if European governments prefer the International Monetary Fund and the European Community facilities and, indeed, have already weathered the worst of their payments crisis through direct loans or borrowing on private international capital markets. Politically, the IEA's multilateral framework may prove a useful check upon American enthusiasm for confrontation, while at the same time the threat of a unified Atlantic strategy encourages the producers to adopt a more friendly stance toward the Europeans. In short, for the Europeans, the Atlantic-oriented International Energy Program remains a useful option to keep open, a

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political and economic insurance policy in the event of catastrophe, but not a submission to American hegemony.

The oil crisis has not only prompted the European states to a more aggressive foreign policy, but seems to have encouraged another significant trend: a heightened cooperation among European states in domestic economic management. Machinery for regular organized consultation on a broad range of policy questions is now in place. The European Council—a regular summit—meets four times yearly and is serviced by a Committee of Political Directors with numerous subcommittees.

Franco-German economic cooperation has been notably close in recent months. The two governments have determined to coordinate their anti-recession strategies. The Germans have increasingly been driven toward the view that Europe must be treated as a single monetary unit, with funds recycled from surplus to deficit countries; hence, in August 1974, a $2 billion German loan to Italy.[5] Germany's evolution comes less from any sudden increase in altruism than from the growing realization that German prosperity—so closely linked to exports—cannot isolate itself from depressed demand among its principal customers, the great majority of whom are in Europe.[6] German aid has been used to encourage domestic policies which promise some reasonable hope of ultimate redress. April 1973 saw a European Monetary and Cooperation Fund, possibly the nucleus for an EC central bank. The new institution is to settle intra-Community monetary claims, multilaterally, manage the "snake," and, with resources of 1.4 billion units of account, run the EC's system of short-term credits. As a general consequence of these developments, domestic economic policy will increasingly become entangled in complex negotiations within a general European frame. Europeans—in their current crisis—may well have taken a large step toward a real economic and monetary union.

None of these developments, of course, is particularly surprising. European integration has customarily moved forward through a series of crises. A new problem creates a solution, generally involving a higher degree of interdependence, and a new equilibrium of power.

[5] On August 31, 1974, Italy received a $2 billion credit against collateral of about one-fifth the Bank of Italy's gold holdings, valued at 80 percent of the average of the previous eight weeks' London price. Drawings were to carry interest charges based on the rates of six-month treasury bonds in New York. The loan, for six months, could be extended to two years, at which time Bonn could redeem any remainder by selling the gold at market prices.

[6] German foreign trade (total exports and imports) in 1973 was 51.6 percent with the EC and 71.2 percent with all of non-Comecon Europe including Yugoslavia, Greece and Turkey. *Statistisches Jahrbuch für die Bundesrepublik Deutschland 1974,* Statistisches Bundesamt, Wiesbaden, pp. 306, 311.

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In the absence of a new challenge, the status quo between narrower and broader interests can be expected to persist indefinitely. With a new crisis, which threatens the economic or political security of the members, the impulse toward a new level of organized cooperation quickens once more. In the end, the oil crisis may prove to have been another beneficent emergency on the way toward a European confederation.

V

Triumphant optimism would, however, be premature. Crises may not always prove beneficent. The impulse toward European union would have to prevail not only over the usual frailties which afflict all governments and societies, but against a series of general European weaknesses, some of which appear to be growing worse. The oil crisis has created profound dislocations in a financial structure already severely weakened by inflation. The strains of adjustment may prove too great for the system to handle. A general financial breakdown may result in the collapse of economic integration among the European states, despite all enlightened efforts to recycle liquidity and preserve demand. Moreover, the transfer of real resources demanded by the Arabs may prove impossible for the existing political regimes to manage in societies used to full employment and steady growth.

While these problems are general for all European states, they fall more heavily on some than on others. The two countries hardest hit—Italy and England—are also those whose regimes, persistently unable to cope with severe national problems, have seemed to be moving toward a fundamental political crisis. While we cannot here review these situations, two general observations may be made. First, elites in both countries have been inclined to see membership in the European confederacy as a way to side-step their fundamental national problems. Europe, however, has not proved a panacea. By their nature, confederations, especially economic confederations, are unions for the healthy. An industrial nation can participate in an open regional system only if its government can induce the discipline to sustain that competitiveness. Whereas France was often said to have stayed in the Common Market in spite of de Gaulle, the reverse was true. Without the strong government and fundamental resolution of France's endemic political crisis which Gaullism provided, France could never have sustained a close economic union with Germany.

To be sure, a confederation can help buy time or provide capital to finance a nation's rejuvenation. But that nation must be following a policy which, in turn, leads to a resolution of its difficulties, not to

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perpetual subsidization by others.

What happens if a member proves incapable of sustaining its membership? It is not necessarily a catastrophe if a state in serious difficulty distances itself from a confederal grouping. On the contrary, as a full member, the weak nation may harm both itself and the whole. Its government, by impeding common action, often imposes a blackmailing tax on the general association which strains its cohesion and dissipates its strength. A weak partner, in its quest for subsidy and fear of domination, is always easy prey for manipulation by external powers. A reforming government, moreover, often finds the strong measures needed to restore the national situation difficult to reconcile with the liberal discipline of a common market.

Temporary British or Italian withdrawal from full participation in the European construction may not prove an unmitigated catastrophe. Indeed, the endemic weakness of Britain and Italy is a persisting vulnerability for the broader European confederation.

A second problem lies not in the excessive weakness of some members, but in the growing strength of Germany. The postwar situation has favored a European confederacy both because Europe has been menaced by domination from without, and, at the same time, been unusually free from threats of hegemony from within. The major economic power, West Germany, has not been on a scale sufficiently beyond a rapidly growing France or even a declining Britain. Germany, moreover, has suffered from major and obvious political and military vulnerabilities. Indeed, the dominant European power, if any, has been France; her revival has been a key element in the postwar European equation. But French ambitions have been kept in check by European rivals, always confident of American support. In any event, French resources do not permit a hegemonic role, particularly in competition with the United States. Hence a rough balance has seemed to preclude the dominance of any one of Europe's major states.

Today, with the enfeeblement of Britain and the economic difficulties of France after the oil crisis, a German hegemony seems more plausible. In addition, American policy sometimes flirts with encouraging a growth of German pretensions in order to frustrate the less vulnerable and more independently minded French. Should Germany, in fact, move into a position that threatened dominance, the confederation might well break apart, for reasons too familiar in modern European history. France might turn, for example, to a closer relationship with the Soviet Union, perhaps in combination with a left-wing Italy, Portugal and Spain.

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Such an evolution, while not inconceivable, seems unlikely unless a major economic breakdown plunges France into political and social chaos. Otherwise, with a fast-growing, technologically oriented economy, better balanced and hence less vulnerable than the German, a strong political system, and substantial nuclear prowess, France ought to be able to hold her own in close partnership with Germany. The potential mischief of militant American support for Germany cannot, of course, be altogether discounted.

A third major obstacle to a European confederation lies in its military dependence upon the United States. The continuing American protectorate has been a powerful constraint upon European independence in the diplomatic and even economic spheres. Might Europe ever disengage from that military protectorate? Greater independence would presumably mean endowing the European coalition with a serious military dimension. As long as military dependence has not been particularly expensive—directly or indirectly—no great impulse toward autonomy was to be expected. Still, the French and, to a lesser extent, the British have provided themselves with a technological base which might serve for a European nuclear force; and the technological problem has perhaps now grown easier. Should their military dependency grow to be a liability in dealing with the non-hegemonic world which appears to be developing, the European states will have a motivation lacking within the comfortable postwar American imperium. In short, not even the military problem need prove intractable.

VI

The present world situation is hardly one which lends itself to successful long-range forecasting. Many believe the current oil crisis, combined as it is with the Arab-Israeli dispute, will end in the breaking of the OPEC cartel, either by economic pressure or, perhaps, by military force. Such a resolution might seem, among other things, to restore the postwar world system we have constructed and ourselves to predominance within it. No one can really say. As they await the outcome, the European states hedge their bets. They give the Americans rhetorical victories in world conferences, but as devoid of substance as possible. They join elaborate American arrangements for sharing oil, just in case they may need them, but only as long as they are not gravely compromised in their more serious private arrangements.

Anyway, Europe has gradually been evolving into an increasingly cohesive economic and political confederacy. In reaching out to inte-

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grate their Mediterranean neighbors, Europe's states have found a new vocation for their energies and a broader sense of their collective interest. Any apparent disintegration of the postwar international system ought generally to encourage this Europeean evolution. The oil crisis can be seen as a major sign of such a systemic disintegration. Its effects on Europe can plausibly be read as a further intensification of Europe's impulse toward union and expansion. Current analysis tends to ignore this impulse and focus instead upon Europe's tactical embarrassments and strategic inhibitions. The emphasis seems overdone. While, in today's fluid situation, I am far from insisting that the trends I sketch must inevitably prevail, they do seem more in accord with the general evolution of the world system in the past decade, an evolution, on balance, away from hegemony and toward pluralism. And I remain skeptical that the evolution to pluralism is likely to be reversed.

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THE PSYCHOLOGY OF MIDDLE EAST PEACE

By Nahum Goldmann

RATHER than discuss the day-to-day tactics of all the governments involved in or formulating concrete proposals for the solution of the various detailed issues, I should like, in this article, to look at the problem of the Middle East from a larger historical point of view. Too many proposals have been made already and are being made daily. Nearly every Israeli minister and general has ideas of his own—which they tend to publicize—and I am sure that in the foreign ministries of the various powers involved, especially in Washington, committees of experts, planning groups and the like are working on all kinds of schemes covering possible eventualities. What seems to me most important, however, is to examine the deeper motivations which brought about the present very difficult situation.

Looking back to the years before the creation of the State of Israel, when the Zionist movement fought for the establishment of a Jewish homeland, and at the 27 years since the creation of Israel and the way the conflict with the Arabs was dealt with, it seems evident that the situation has worsened from year to year and is now in a terrible mess. Even if Mr. Kissinger—whose tenacity, ingenuity and resourcefulness everybody must admire—should succeed in achieving another disengagement (which, at this writing, seems rather hopeful but still uncertain) this will not, in my opinion, ensure a real settlement or a definitive solution. It may therefore be useful for all those who, often very passionately, take an interest in the problem to analyze it against the background of its historical significance.

One cannot understand the situation created by the establishment of the Jewish State if one does not realize the unique character of the Zionist idea. It is one of the most revolutionary ideas of modern history. That a people claimed to return to their original homeland, finally after 2,000 years, demanding a sovereign state of their own, represented a unique and unprecedented act, even in Jewish history. From the Arab viewpoint, it was not another attempt of a colonialist power to dominate part of the Arab territory, but the intent to establish, within the Arab world, a non-Arab state, which nobody had tried to do since the time of the Crusaders. And from a general point of view, the Zionist demand for a Jewish state was in full contra-

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diction with all principles of modern history and international law. If this demand were to serve as a precedent, the Indians of North America could claim for themselves the United States, and the descendants of other American natives in Mexico, Peru, and so on. All this gives a singular quality to the Zionist idea and makes it one of the great utopian programs of modern times.

I stress this aspect of Zionism because to understand and to support this idea requires much more than normal diplomatic methods; it demands real statesmanship, vision and great courage. In all the years when the Zionist movement propagated its claim for a Jewish homeland, nearly all foreign ministries were unfriendly or hostile to it. It was the great statesmen of that period—Balfour, Lloyd George, Wilson, General Smuts—men of vision and wide political understanding, who supported the Zionist idea. Since the establishment of the State, however, the Arab-Israeli conflict has not been handled with statesmanship and vision, but by day-to-day, short-sighted methods. There are very few statesmen left in the world and they have not really dealt with this issue, which has been left to diplomats and "experts."

"Diplomacy," in my view, may best be defined as the art of delaying inevitable decisions as long as possible. And as for the "experts," the French have put it brilliantly, describing the expert as "a man who knows everything and nothing else." Not only in the sphere of philosophy but also in politics and diplomacy, difficult problems can only be solved by taking account of the root of the problem.

II

Unfortunately this has not been done with regard to Israel. In fact, the implementation of the Zionist idea started on the wrong foot. Before the vote on the partition of Palestine was taken at the United Nations in 1947, there had been no real attempt to convince the Arabs that a Jewish state in their midst, created with their acquiescence, could bring a highly constructive period to the Middle East and to themselves. It was one of the errors of Zionist policies—for which I regard myself no less responsible than others who were active in it—to have underestimated the Arab factor. We thought that, by winning over the Jewish people and the big Western powers, the implementation of Zionism would be ensured. It was the naïve assumption of all Zionist thinkers and politicians that the Arabs would welcome the Jewish newcomers into Palestine, and would appreciate the great benefits of European know-how and of Jewish ingenuity and dynamism in bringing about a renaissance in the Middle East.

When it became apparent that the Arabs would react to the estab-

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lishment of the Jewish state by marching into it, there was a timid attempt, by myself and others, to try to reach an agreement with them by postponing for a short time the proclamation of Israel. This was rejected, however, by the leadership of Israel, guided primarily by Ben-Gurion—who felt that a delay would have been impossible in view of the enthusiasm of the Jews in Palestine and throughout the world at being accorded a state after 2,000 years of homelessness.

Thus, Israel came into existence engaged in a defensive war against the Arabs. This state of war, which has continued until today, inevitably forced Israel to concentrate its great moral and intellectual resources on defending its existence and securing its survival, and led it to abandon, or rather neglect, the great historical, moral and spiritual aspects of the restoration of a Jewish state. Its leaders no longer were thinkers, idealists and revolutionaries, but technicians, managers, generals and party politicians.

As for the Arabs, they did not even want to try to understand the great historical significance of a Jewish state living in peace and close cooperation with them. In this period, when, after centuries of decay, the Middle East might have been starting a process of renascence, they concentrated a negative and hostile campaign against Israel, endeavoring again and again to destroy it.

As for the great powers, especially the two superpowers, whose attitudes are decisive for nearly all complex political problems of our time and certainly for the Middle East, they have not approached the issue with the statesmanship of a Balfour or a Wilson, but with the routine methods of political diplomacy, fighting for prestige, trying to eliminate one another, not concerned primarily with what is good for the Arabs and Israelis, or for the world, but rather for themselves.

The result was a freezing of the situation for many years. Partly for emotional reasons, partly for internal political ones, and in part because it was busy with more urgent problems like Vietnam, the United States encouraged this stalemate. Whenever an attempt was made to break it—through the Jarring mission, through the proposal to entrust it to the four big powers, through the Rogers Plan—the United States either impeded or dropped these timid attempts to move toward a solution, both for reasons of its own and in order not to antagonize Israel. Israel, in turn, aware of the support of the United States, has understandably tried to maintain the status quo, hoping that the Arabs and the world at large would accept it and lose interest in the problem.

This policy forced the Arabs, for whom the status quo was naturally unacceptable, to try to break it. And they did so in the Yom Kippur

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War. In this conflict, though they lost territory, they won the political battle, breaking the stalemate and forcing the big powers and Israel to begin to look for a solution.

III

The past 27 years have proven that the approach used heretofore has failed and will fail. Now, unfortunately, time is getting short. Even if the disengagement policy has brought about, for a little while, a relaxation of tension, the situation in the Middle East remains explosive and may lead to a crisis in the near future, which would not only be a disaster for the peoples of the area but might result in a world conflagration. Both President Nixon and President Ford have repeatedly called the Middle East the most explosive area in the world. In addition, the Israelis should realize that time is working against them, in view of the tremendous new economic and consequent political power of the Arab world. In view of the critical character of the situation, it is necessary to try to understand the underlying reasons for the present stalemate and for the failure of the governments and peoples involved to achieve a settlement.

In all this, the major aspect of the problem is neither territorial nor political, but psychological. At bottom, what motivates peoples, movements and individuals is not so much ideology or political calculation as psychology. If this is valid generally, it is doubly so for the two peoples mainly involved in the Middle East crisis, the Jews and the Arabs. If the emotional aspects were removed, the objective issues involved in the conflict would really not be so difficult to solve; much more complicated territorial problems have been settled in the last decades.

The part of Palestine which was assigned to the Jewish state in the U.N. resolution—even adding to it the territories conquered by Israel before the Six-Day War—represents less than one percent of the vast Arab territories, of which a very large part is uninhabited. It is true that the position of Israel within the Arab world complicates the territorial issues. This was once lucidly explained by President Nasser to the then Secretary General of the United Nations, Dag Hammarskjold, who was very keen to find a solution to the problem and who had undertaken to discuss with Nasser a proposal which I had submitted to him. (There is no need to spell out here the nature of the proposal; Hammarskjold reported to me that Nasser had observed that it might serve as a basis but, as I was not responsible for Israeli policies, I could not, as he rightly put it, "deliver the goods".) In their conversation Nasser stated that the Arabs might one day be ready to

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accept the loss of the territory on which the State of Israel was established. The partition of Palestine was not the main issue, he argued. The real problem was the fact that Israel in effect geographically divides the Arab world, making it very difficult to implement the ideal of one great Arab political and economic bloc, from Morocco to Iraq; Israel's location in the very center, indifferent to Arab ambitions, could therefore sabotage the effort to achieve full Arab unity. Despite this complicated territorial problem—for which a solution could be found, such as the neutralization of Israel—it is the psychological aspect that is crucial.[1]

While both Arabs and Jews belong to the semitic race and share certain qualities—a long memory, an inclination to superlatives, a certain predominance of feelings—the Jewish people are a unique group. They are unique both in their structure—religion and nation being identical—and in their historical destiny—having lived both in their own center and state, and for a much longer time dispersed throughout the world. This structure and history have naturally created a characteristic psychology in the Jewish community, both that of the Diaspora and in Israel. The 2,000 years of unprecedented persecution were climaxed by the Holocaust, for which there is no parallel in history, not only because of the millions annihilated but because of the systematic way in which they were exterminated. This has of necessity created in the Jewish psyche a persecution mania and, coupled with it, a deep distrust of non-Jewish peoples, particularly Christians. Such distrust was deepened by the Nazi experience and the passive attitude of the Western democracies which witnessed the crime without making any serious attempt to save the Jewish victims.

A further psychological consequence of their unique history is the stubbornness of the Jewish people. The Bible speaks of it. Moses characterized the Jews as "stiff-necked" and told them that he liberated them from Egypt with the strong hand of God, to which the Talmud remarks that, had it depended on the wishes of the Jews in Egypt, they would still be there in slavery.

Another consequence was the inexperience of the Jews, in the 2,000 years of their dispersion, in planning truly long-term policies. They lived from hand to mouth, because they were never sure of their situation, always afraid of being expelled, persecuted or annihilated. Jewish policy in the centuries of the Diaspora consisted only in the desperate attempt to survive, to maintain their identity, not to allow themselves to be exterminated, waiting for the Messiah who would come and solve all their problems. This naturally made it impossible

[1] See Nahum Goldmann, "The Future of Israel," *Foreign Affairs,* April 1970.

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even to plan, let alone to implement a long-term policy. The difference between a statesman and a politician is that the one deals with problems on a long-term basis and the other only from a short-term point of view; in all those years of the Diaspora, the only statesman, so to speak, was the Messiah, whom the Jewish people expected to plan and implement their salvation.

The decisive influence of these characteristics will easily be recognized in Israel's policies since the establishment of the State. The lack of confidence in guarantees, for example, is the result of distrust in non-Jewish promises; the refusal or the incapacity to look for long-term solutions to their conflict with the Arab world reflects their inexperience in true statesmanship. In the centuries of the Diaspora, Jews developed extraordinary talents, but how to conduct the policy of their own sovereign state like statesmen was one of the things which they could not have learned. I have often said to Arabs with whom I discussed the problem: have patience and give Israel a generation or two. Those who will grow up in the country may no longer be obsessed by this trauma of persecution and the fundamental distrust of every non-Jew. They may begin to act from feelings of security and strength and will be much more amenable to long-term and radical solutions than the present generation, most of whose leaders come from the Diaspora, still dominated by all the characteristics of Diaspora Jewry and having experienced the climax of Jewish tragedy, the Nazi Holocaust.

Another characteristic of the Jews within this context is a certain lack of tolerance. The conviction that whatever they believed represented the absolute truth was essential for their survival. It is, however, a great handicap for a people who want to conduct the policies of their own state: this requires flexibility and the ability to understand the opponents' points of view.

The real difference between a politician and a statesman is that the former cares only for the wishes of his followers, while the latter considers no less the desires and demands of his adversaries, with whom he has to reach an agreement. The only exception to Israel's general inflexibility, and therefore the only Israeli leader of real stature, despite his stubbornness and his general unwillingness to make concessions, was David Ben-Gurion. He was a great realist and had the courage to change policies when necessary: after the 1956 Sinai war, when Eisenhower and Khrushchev reached an agreement, he understood that to resist was hopeless and altered his policy within 24 hours. There is, alas, today no one who has the authority, courage and charisma to do such a thing.

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Thus, it should be made clear that it is not simply greediness or egocentrism which lies behind the stubbornness of Israel. Nothing takes more time and is more difficult for a people, especially one with such a long history, than to change their basic attitudes. The trouble is, unfortunately, that the Arabs are not ready to wait.

IV

Turning to the Arabs, one important characteristic which they share with the Jews stands out. For both, religion and nation are intertwined. This has grave perils for the conduct of national policies, for the character of religion is the opposite of politics. Politics has nothing to do with eternal verities; it is based on temporary accommodations; it is conditioned by historical facts which are in permanent flux. Therefore, one of the main conditions for a statesman is flexibility. It is characteristic of religion, on the other hand, to be absolute. A believer cannot be skeptical or have reservations about his belief; the claim of religion is to possess the eternal truth, and every religion has the same claim. Therefore, it is much more difficult to make concessions where religious factors are involved. No wars are so cruel as religious wars, no politics so difficult as ones motivated by religious elements. As this characterizes both Arabs and Jews, it is an additional element complicating their relationship and making a solution more difficult.

Another characteristic which the Arabs have in common with the Jews is their feeling of inferiority and insecurity. It is true that they never suffered as did the Jews, and they never knew a dispersion, but for centuries they were dominated by other peoples—Crusaders, colonialists, and so on—and only recently have they become independent and masters of their destiny. They too have experienced a persecution complex and distrust the peoples who oppressed them for centuries.

Two principal examples illustrate the complexities of these psychological factors. One concerns the case of Jerusalem which, if divested of its religious aspect, could be settled by granting the city a special status, a condominium, or the like. It is the fact that this is the holy city of the Jewish people and the second sacred one for the Arabs—not to speak of the Christians—that makes this issue so complex and difficult. Another example is the question of the West Bank: most Orthodox Jews in Israel are opposed to returning Hebron or Bethlehem to the Arabs, not for economic or security reasons, but because these towns have a special historical and religious significance in Jewish tradition, while Hebron is also a shrine for the Muslims.

In view of these aspects of the psychology of Arabs and Jews, the

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policy conducted at present by the United States through Secretary Kissinger cannot be effective in the long run. His method of temporizing, postponing delicate and difficult problems and creating by small steps and concessions a climate of confidence and mutual readiness to tackle the difficult issues, may appear very attractive from the immediate point of view. It may, in the beginning, even have impressive results, but they are neither lasting nor conclusive to a permanent solution. As neither party in the Israeli-Arab conflict is very flexible, as both approach their problems not with cold rationality but with passionate emotions, they react to every little step with nearly the same violence as they would to a total solution. Therefore the step-by-step policy causes a state of permanent agony. A German proverb says: "Better a frightful end than a fright without end." The violent reaction in Israel and among the Arabs to every small concession does not create the climate conducive to mutual confidence but, on the contrary, evokes negative passions, emotions and protests.

A famous Jewish story lightly illustrates the problem of this policy. It concerns a man who kneels under a streetlight at night, looking for something. Another Jew passes by, wants to help him, bends down and starts looking round. "What have you lost?" asks the newcomer. "My briefcase," the first man answers. As they do not find anything, the second Jew asks again, "Are you sure you lost it here?" "No," is the answer, "on the other side of the street, in the dark corner." "So why do you look for it here?" "Because there is more light." This is how the step-by-step policy works, but we cannot avoid looking in the dark corner if we want to find what we are searching for.

V

In the light of this analysis, I do not intend to deal with the various details: territories, Jerusalem, the Palestinians, the nature of an agreement, and so on. I do not believe in giving advice—mostly unheeded anyhow—to the Israelis and the Arabs on all these very difficult detailed questions. Since the main issue is psychology rather than "objective facts," the decisive condition for reaching a settlement is to overcome the psychological impediments and to encourage a willingness in both parties not to delay in looking for a radical and definite solution. Concentration on tactics represents mostly a vain and wasteful effort. To give only one example: on the question of the evacuation of the two passes in the Sinai by Israel, some of the best military experts and generals in Israel consider them fundamental for Israel's defense; others, equally reputable, consider them as unimportant. One can choose the opinion of one or the other but it proves once

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again that experts' views are not conclusive.

While I therefore refrain from making concrete proposals, a few possible solutions (which could be exchanged for others, no less practical, on condition that goodwill exists on both sides) illustrate what in my view constitutes a flexible approach. Sharm-el-Sheikh, for instance, could be returned to Egypt after a peace agreement, but could be leased by Egypt to Israel or, as one Arab diplomat once suggested to me, they could establish joint enterprises there, so that the Israelis would always be aware of any Egyptian attempt to prevent the passage of any ships. As for the Golan, if it is returned to Syria, that part of it which overlooks the Israeli settlements in the Jordan valley and from which Syrian soldiers used to shoot down, could be demilitarized and occupied indefinitely by U.N. troops. Concerning the very delicate question of Jerusalem, the solution which I would be inclined to favor—without pretending that it is the best or only one—would be to keep the old and new cities as one administrative unit but to grant the old city a special legal status, as a free city or one similar to the position of the Vatican in Rome. This would remove the Arabs' argument that they are reluctant to make their pilgrimage to the Jerusalem mosques because they would have to get an Israeli visa to do so.

My last example concerns the most difficult and delicate question—that of the Palestinians. Once the territorial question of Cisjordan is settled and definite boundaries are established, and on condition that the Palestinians are ready to recognize Israel formally as a sovereign state and drop their demand for a unitarian state in the whole of Palestine, one could imagine a plebiscite arranged by the United Nations in Cisjordan. This would allow the inhabitants to decide whether they want a state of their own or a confederation with Jordan, with boundaries guaranteed by the United Nations. One could even envisage an economic confederation between Israel and the new Palestinian state, either including Jordan or not. This, a statesman close to the Palestinians confided to me, might be an acceptable possibility, because it would realize part of the PLO program for one state—which they cannot hope to get—through the creation at least of an economic unity over the whole of Palestine. (This, by the way, was foreseen in the original resolution on partition by the United Nations.) Many Israeli leaders, among them Defense Minister Shimon Peres, who cannot be regarded as a dove, have lately recommended this solution.

These and many similar proposals could be thinkable and practical, once there is readiness on the part of the Arabs and the Israelis to

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put an end to the 27-year-old crisis. This willingness is even more important for Israel than for the Arabs. In all conflicts, both political and military, the question of whether time works in favor of or against a group is always fundamental. For many years, my basic difference with Ben-Gurion on Israeli politics was that I felt—even before the present oil situation developed—that time works for the Arabs, chiefly because of their enormous numerical superiority. Ben-Gurion, on the other hand, at least as long as he was Prime Minister, had a theory that time works in favor of Israel and that Israel's superiority would grow; this was, I believe, the rationalization of his unwillingness to make the necessary concessions for a settlement. If this was wrong, in my opinion, even in the past, today Arab wealth and economic superiority, and the political power resulting from it, are manifest and are developing extraordinarily quickly (unexpectedly for most people and the Israelis). It now requires great naïvete or ignorance or, for some, blind religious faith in a coming miracle, to assume that time works for Israel.

If one believes that time works in the Arabs' favor, one could theoretically doubt whether they are interested in a settlement with Israel. Nevertheless, I am inclined to accept what both American and other statesmen friendly to Israel maintain, that the present leadership of the major Arab powers—Egypt, Saudi Arabia and, though to a lesser degree, also Syria—are ready for an agreement which naturally presupposes full recognition of Israel and the signing of a formal peace. They may be inclined to do so, I believe, because they know that a continued state of war would make them again dependent on the Soviets, whereas they are moderate pro-Western politicians. Moreover, they feel that the United States and other Western powers will not allow the destruction of Israel, and even the Soviets have often declared that they support Israel's existence.

In addition, their growing wealth should also work in favor of a settlement, since they know that their affluence will not last indefinitely and they have a unique chance in the near future to develop their countries tremendously. The concentration of most of their efforts, financial as well as emotional and political, on the fight against Israel diverts them from this unexpected opportunity to develop their peoples and their countries in an unforeseen way. This is why, in the opinion of many observers, they would like to settle the disturbing Israeli problem and concentrate on making use of the occasion which their oil resources give them.

It is not even unreasonable to assume that, once a final settlement is achieved, the Arabs' attitude toward Israel may change very rapidly.

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One of the characteristics of the Arabs is their tendency to move quickly and radically from one emotional position to another. This applies especially to the Egyptians, as I know from years of personal experience. Indeed, a good friend of mine, a leading French intellectual, who gave a series of lectures in Cairo shortly before Nasser's death, told me of a long talk he had had with him about relations with Israel. When Nasser mentioned that he would like to make an end to the state of war with Israel and bring about a settlement, my friend asked him if Egypt would be ready also for normal relations with Israel after a peace treaty had been signed. Nasser replied, half jokingly: "Once peace is achieved, my main worry will be how to refill the stocks in Port Said every Monday, as I am sure that over the weekend thousands of Israelis will come and buy all the stuff."

I do not think that one need take too seriously Sadat's statement that formal diplomatic relations may have to be left to another generation. Knowing the character of the Egyptians, an easy-going people, a little cynical, fundamentally good-hearted, one can reasonably hope that formal peace relations would be fairly soon followed by a change of attitude which, in the long run, would be more important than the formal treaty.

For Israel the necessity for a definite peace treaty is much greater. Many people, including leading statesmen close to the Arabs, believe that this may be the last chance for Israel to be accepted by the Arab world, which is the main condition for its survival. My reaction to this is always that the word "last" should not figure in the dictionary of statesmen. But there is no question that Arab acceptance of Israel may become more and more difficult and unlikely. If there is no peace in the next few years, nobody can foresee what Arab power will mean in another decade. Furthermore, if peace is not achieved, the moderate leadership of the Arab world may be replaced by a radical anti-Western and violently anti-Israeli leadership.

VI

Despite the logic of the argument, however, it would take great optimism to expect that the Israelis and the Arabs would be able to reach a final settlement on their own. I am aware of the sensitivity of so-called sovereign states when told that they must rely on foreign factors to settle their problems. Sovereignty has become a very important but, in my opinion, an illusory and nonsensical notion nowadays. There is really not a fully sovereign state in the world. Our world is so intertwined and interconnected that no state can act on its own and, paradoxically, the stronger a state, the less it can do so. I once asked

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an American Secretary of State, on the request of Israel, why two months had passed without his answering a question which the Israelis had put to him. The Secretary replied: "It is not lack of goodwill or interest, but you should realize that, before I can react or answer, I must consult my partners in the NATO, my partners in the SEATO, some partners in the OAS. If you believe," he added, "that we are sovereign and can act on our own, you are greatly mistaken." And therefore, for Israel and the Arab states to insist too much on sovereignty, although understandable because young states are much more sensitive to it than old ones, is meaningless.

For years Israel has proclaimed the slogan that it will not accept an "imposed peace." This is an impressive formula from an emotional point of view, but realistically it is devoid of meaning. Another American statesman, to whom I mentioned that Israel was very much afraid of a peace imposed by the United States, told me: "We would never think of imposing peace. If one day we reach an agreement with the Soviets, all we will do is to give Israel good advice and see to it that they accept it." It all depends on what you understand by an "imposed" peace. If it means that America would send her Sixth Fleet and threaten to occupy Israel if it does not accept America's advice, then the fear is justified. But if you interpret it as the American diplomat did, then every solution in all parts of the world is somehow "imposed," because in this century nothing can really be solved anywhere without direct or indirect, conscious or unconscious, interference by the superpowers.

In the case of the Israeli-Arab conflict, against the background of the psychological approach, this thesis is doubly valid. Therefore the overriding condition for finding a definite solution is an understanding between the two superpowers. Their competition in this part of the world is particularly immoral: because of the importance of the area; because of its spiritual, religious, nearly mystical significance for hundreds of millions of people; and above all, because as a result of their competition and rivalry they have until now accepted the status quo and prevented a solution there.

As a matter of fact, there does not seem to be any great difference between the Russian and the American concepts of a solution, except as regards prestige and tactics. Both the United States and the Soviet Union accept U.N. Resolutions 242 and 338 as a basis. The difference of opinion, about whether evacuation refers to all territories or nearly all, indicates a nuance that is not decisive, especially if one foresees that there may be real changes in the boundaries once Arabs and Israelis are ready to discuss the details of a peace treaty by direct

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negotiations. Because time is running out, therefore, the two superpowers must cease to act like rivals and competitors and must use their influence with both parties to move toward a real solution.

The United States, because it is more influential in the Middle East —as regards the Arabs as well as Israel—bears the greater responsibility. Thus it is good to know that both President Ford and Secretary of State Kissinger are beginning to have doubts about the step-by-step policy and, even after having reached a new disengagement in the present negotiations, understand that they cannot rest with it but must continue to look for a final settlement by calling the Geneva conference. This is above all a framework and a symbol for the readiness to reach an agreement.

There are obviously great internal obstacles for both Israel and the Arab states to making the concessions necessary for a real peace. But whenever great external political matters, especially delicate and complex ones, are determined primarily by internal politics, finding a solution becomes well-nigh impossible. It is one of the grave dangers and weaknesses of modern democracy that, too often, great foreign political issues are determined by electoral considerations; the result often is failure and disaster for the people directly involved. This applies especially to the United States, the greatest democracy today, where major foreign policies are too often primarily determined by domestic considerations. But it is crucially important for Israel where the predominance of domestic issues in fixing the lines of its foreign policy is stronger than in other countries because of the proportional electoral system. The present government cannot rely on a real majority in the Knesset, in which a dozen parties are represented, and therefore must take all their proclivities into consideration when deciding on foreign policy matters. For a state in such a dangerous position as Israel, this is, in the long run, an intolerable situation.

Summing up, I reiterate the need for statesmanship. If for no other reason, certainly the awareness of the great danger in the situation should induce the leaders of all those involved to rise above their petty political calculations in an attempt to solve one of the great historical problems of our time. (It is, by the way, both morally and politically wrong for the European governments to have kept out of this question, and represents a dangerous precedent for their abdication in world politics.) Concretely this means to try courageously to bring about a radical solution by inducing the two parties to be ready to sign a formal peace treaty, opening the way for recognition and cooperation. The wisdom of Israel's making territorial concessions in exchange for small or practically nonexistent political concessions by Egypt is du-

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bious. In my opinion, Israel should be ready for a real application of the U.N. resolutions, with certain exceptions, while Egypt, Syria, Lebanon and Jordan should be willing at least to recognize Israel formally and sign a valid peace treaty.

The creation of the State of Israel is one of the few great positive achievements of our generation. It could mean much more than giving persecuted Jews their own homeland, in this way compensating them for the terrible crimes committed against the Jewish people for thousands of years. Israel at peace with the Arab world, Israeli dynamism and ingenuity, coupled with Arab talents and Arab wealth, could make out of the Middle East in a few generations one of the great centers of world civilization, at it was in the past. Morally speaking, in a century unparalleled in history for its violence, not only toward Jews but toward many other peoples and countries, the creation of the State of Israel, enabled by the vote of the United Nations and supported by both the democracies and the communist states, established and developed with tremendous sacrifice by the Jews in Israel, is one of the lasting great historical events of this tragic period of human history.

Despite all the disappointments, one may therefore still hope that there are leaders, in Israel, in the Arab world and in the superpowers, with sufficient vision to see the problem in its historical framework and with the magnitude it deserves—who will have the courage to deal with it with methods adequate to its importance and will have the authority and the charisma to implement the statesmanlike approach which will alone assure a real solution and real peace.

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DOOMED TO PEACE

By Béchir Ben Yahmed

AS these words are written, it is not clear whether the mediation of Mr. Henry Kissinger will recover from its March setback and produce a second "disengagement" agreement between Egypt and Israel, exchanging another area of the Sinai desert for necessarily uncertain assurances. But whether or not there is such an agreement, it is by now absolutely clear to everyone that the limits of that procedure have been reached. Furthermore, one must sadly admit that much time has been wasted in the effort. The truth probably is that the Secretary of State's aims have really been not to achieve peace but rather to ease tensions and in the process to extricate America from embarrassing or intolerable situations.

But to dodge the real issues, to disregard the stubborn realities of a given situation and to ignore the deep-seated causes of conflict are not conducive to peace. These only prolong the agonies of war and postpone for a while the explosions of hatred. The underlying tensions are not reduced, they only build further.

Having made these preliminary remarks, I should like to state at the outset that I believe that peace between the Palestinians and the Israelis is not only possible but also probable. I also think that peace is not only the best solution for both antagonists and their supporters —Arabs and Jews—but that the Israelis and the Palestinians are doomed to achieve it. However, the road to peace no longer runs along the Kissinger-Sadat-Rabin itinerary, if indeed it ever did. It is time, and more than time, to confront the issue in its true dimensions.

It has been endlessly repeated that the Israeli-Palestinian conflict stems from the fact that both sides claim the same country. This defines the issue quite correctly. That is the heart of the matter. However, the subsequent wars have been waged predominantly between the Arab states and Israel. This is equally true. Then, there is still a wider dimension to the conflict, probably the most important one—one that actually may contain the solution—namely, the fact that the clash of interests is not limited to the Israelis and the Palestinians and not even to the Israelis and the Arabs, but that it is also a Jewish-Arab tug-of-war on a quasi-world scale. There is no doubt that this is so, because the Palestine problem involves, concerns and affects all Arabs from Agadir to Baghdad and all Jews from San Francisco to Leningrad.

Without the Jewish diaspora, Israel could never have existed—and

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could not continue to exist today. Without the total Arab commitment to reject Israel, we would have today neither Palestinians nor a Palestine problem. Wherever they happen to be—Jews and Arabs alike—whether poor or rich, intellectuals or blue collars, young or old, they all are participants—passive or active, in one way or another—in a conflict that affects each and every one of them.

The second overall dimension, largely unnoticed, is the duration of the conflict. It appears to be taking on a modern version of a Hundred Years War, whose antagonists are two peoples with deep-rooted historical attachments to the land. After all, the Balfour Declaration dates from 1917—when England promised Palestine to the Zionists (though it wasn't really hers to give). Even if we hark no further back than that, the conflict is as old as the U.S.S.R.

For 30 years Israel was faced with the Arab refusal to acknowledge that "might is right." It seems to me that it is time by now for the Jews to take stock of this refusal. But it is equally time for the Arabs —and it seems to me that they are intellectually and politically inclined to it—to envisage for Palestine a historic compromise with the Jews, thereby accepting on their part the Jewish determination to maintain an autonomous national home on solid foundations.

The Jews, and particularly the Israelis, have failed to understand that the Arabs could not negotiate such a compromise as long as they remained weak and defeated and as long as the Palestinians were regarded simply as refugees. To put it more precisely: before October 1973 the Arabs could not negotiate, while the Israelis would not. The new, perhaps decisive situation, arising from the October 1973 War, is that now the Arabs are in a position to negotiate; the Israelis are no longer in a position to refuse negotiations, and the Jews of the world have a great stake in such a negotiating process.

If this is the case, then why Kissinger? And above all, if one needs an intermediary at all, why only him? In my opinion, Sadat committed a strategic error by espousing Nasser's reasoning that it is only America that can pressure Israel into making concessions.

But this is sloppy reasoning and characteristic of the mentality that prevailed among the Arabs before the war of October 1973. Neither Sadat, nor for that matter, the other Arab leaders, have realized the change, in all its enormity, that has taken place since that October war; not only can the Arabs now negotiate (and no longer shrink from doing so) but, what is more, they no longer need either an intermediary or external pressure upon Israel. *They themselves are the most effective instrument of pressure.* It isn't true that the Arabs use Kissinger; it is Kissinger who uses the Arabs. Objectively speaking, his

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shuttle diplomacy is useless. True, he represents the United States. But America is only one of the two superpowers—the one that is allied with Israel and negates Palestine.

Those who wish to arrive at a just (or the least unjust possible) and lasting peace should proceed differently. Leaving aside anesthetics à la Kissinger they must face the problem rather than shirk it.

II

As we have seen, the two great antagonists are, on the one hand, the Jews, who, in their majority, want *an Israel,* and on the other hand, the Arabs, who cannot renounce the claim to *a Palestine*. The true problem to be solved is, therefore, the following: since in the wake of half a century of conflict and warfare one may reasonably come to the conclusion that neither side can do away with the other nor compel it to accept its terms, consequently a twofold question has to be answered. First, could there be an Israel sufficient for the Jews on the one hand, and acceptable to the Arabs, on the other? If the answer is yes, then what kind of Palestine acceptable to the Jews could also satisfy the Arabs, especially the Palestinians?

To answer these questions is tantamount to sketching a durable solution to a conflict that has already lasted much too long. I cannot but insist that it is up to the Israelis and to the Palestinians, and perhaps even more so, to the Jews and to the Arabs (both of whom fortunately possess a variety of institutions and instruments to do it), to bring about an inner consensus as to the objective to be achieved, to formulate their ideas about the compromise they can endorse and to bring their vision into focus concerning their mutual relationship. (Let us not forget that since the oil price-hikes the Arabs, catching up with the Jews, have become an important financial power. Instead of exhausting each other by interminable fighting, it would redound to their mutual advantage to arrive at an understanding.)

Having done this, and each having tested the intentions (and goodwill) of the other party, they should—even while continuing to fight if they find it necessary, and while holding their trump cards as well as keeping their alliances—begin in earnest to negotiate: What kind of Israel? What kind of Palestine?

Negotiations without phony intermediaries, false masks, or make-believe—but rather under the auspices of the same United Nations that brought about Israel's existence in 1948 and welcomed Palestine in 1974. All the rest, including Kissinger's initiative, may prove quite irrelevant.

If what one tries to achieve is not just a respite; if one comes to

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realize that the issues, no less than the facts, are stubborn, and what is needed is not to shirk them but to resolve them, then what is to be done?

First of all one must make a strategic choice: either one strives for victory, that is to achieve all one's objectives and to prevent the adversary from achieving his—or one looks for a compromise. For the Jews, victory would mean to occupy all of Palestine, for all time to come, and to make the Arabs—and history—ratify this occupation. Such a victory seemed possible before 1973. Today nobody believes such a thing to be realizable, and the Israelis, too, deep inside, know it.

For the Arabs, victory would mean to recover the whole of Palestine after having dislodged the government that installed itself there by force in 1948, and to throw most of its Jewish inhabitants into the sea. Such a victory was never conceivable; but now one begins to perceive that it *can* conceivably be achieved by the Arabs, *if* they are willing to pay the price: one or two generations earmarked for that purpose at the expense of political progress and economic development, incredible sufferings to themselves as well as those inflicted on the enemy; great human and material losses and, on top of all this, the preservation of the dictatorial regimes in most of the Arab countries. In particular, the Arabs would risk the exhaustion of their oil assets in exchange for tanks, airplanes, missiles, etc., so that they would find themselves in the year 2000 without many resources and without much progress to speak of on the road toward economic independence.

If they are willing to pay such a price, the Arabs can hope—it is not a certainty—to regain all of Palestine. Today, however, there are an ever-increasing number of Arabs who instead of wishing to pay this kind of a price—and to make their children pay it too—would rather renounce "victory" if the problem were correctly presented to them.

I, therefore, believe that the great majority of both Arabs and Jews, even though they are not yet articulate about it, have nonetheless given up the idea of victory. That is, to defeat the other side: to force it to accept what it cannot accept. I, personally, feel some gratification in this fact, because for more than a decade I have been advocating a historic compromise between Palestinians and Israelis—and within a larger context—between Jews and Arabs. This is the least costly and the least evil solution, and humanly the most acceptable. What is necessary is that the forces of progress, in both camps, adopt it, and in particular the Jews (not just the Israelis) and the Arabs (not just the Palestinians) begin to champion a general historic compromise. For, in essence, the choice lies between such a compromise and an inconclusive Hundred Years War.

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All that Rabin, Sadat and Kissinger have really been aiming for is a lame compromise which for the moment will keep things patched up, even though tomorrow the region may well blow up. What the front of the "nay sayers" (it exists on the Jewish side and is even present in the government of Israel, in the person of Defense Minister Shimon Peres, for example; as well as on the Arab side, though there it is already becoming only marginal) strive for is victory, regardless of the price to be paid, and the defeat of the other side, regardless of how long it may take. But realistically speaking these are mostly fantasies. What will prevail in the world of reality is a historic compromise. And it may happen fast, because its contours are already discernible.

It seems to me that there *could* be an Israel both sufficient to the Jews and acceptable to the Arabs. Of course it is not the kind of Israel wished for by arrogant Zionism, imposed by force, cultivating isolation from its neighbors, and nourished by animosity—an Israel in which the political leadership, as is still largely the case with Golda Meir's successors despite all the misleading appearances to the contrary dictated by more difficult times, aims at territorial and economic expansionism. Moreover, this leadership is often assured, whenever putting such aims into practice, of the blessing silence of those same "moral voices" of the West, Jew or Gentile, which never fail to lash out at the least of Palestinian excesses. Nor is it the de-Zionized, secular, multiconfessional state of which Mr. Arafat "dreams." The Jews are not interested in this kind of a state, because it does not fulfill the main function assigned by them to the State of Israel. Hence, it does not solve the problem.

What the Jews need is a state that would witness and demonstrate (first to themselves) their capability to organize themselves within a sovereign framework of their own, "like everybody else"; a state that could also serve as a haven, "just in case" . . . . This secular need became terribly acute, indeed almost irresistible, with the Holocaust in Europe, and, what is often overlooked, its poignance was once more made urgent by the Stalinist and post-Stalinist repressions of Jews in Russia. But in the Arab world one usually asks the question: Why should the Palestinians be required to resolve at their own expense a problem that was created and exacerbated in Europe? Indeed, why? On the other hand, why not, if it is feasible and if it is ordained by a common Jewish-Arab destiny from which there is no escape?

III

To solve the Jewish problem should essentially mean the acceptance

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of an armed State of Israel—according to its own evaluation of its defense needs and without any limitation—on the condition, however, that it solemnly proclaim that except for purposes of self-defense, it renounces war and territorial conquests. Such a declaration should be inscribed in its Constitution and approved by a referendum of its population, and this commitment, guaranteed by the Security Council of the United Nations, should suffice to reassure as completely as is humanly possible the Palestinians and Israel's Arab neighbors. To solve the Jewish problem also means to accept the unqualified principle of free Jewish immigration into the state of Israel (as well of course as the freedom to emigrate from it).

This state will remain for a long time essentially religious and predominantly Jewish, not unlike the Muslim and Catholic states of the past. It will evolve, like these others, in the same direction. By itself and from within it will undergo a process of freeing itself from Zionism and theocracy. A stranger in the region at the beginning (and after having attempted to be different and even hostile), Israel will preserve for a long time to come (perhaps forever) its originality while at the same time it will evolve toward integration. It will be like Switzerland in Europe: neutral, armed, different from the others and outside their regional groupings, yet as such quite well integrated.

This answers the question: What kind of Israel? But now: What kind of Palestine? In his heart of hearts, everyone now admits, even Mr. Kissinger, even Mr. Shimon Peres, that there is a Palestinian problem, and that it must be solved. Clearly it is necessary that a Palestinian state be established under the same conditions, with the same advantages and the same limitations, as those suggested for the State of Israel. This means, and one will do well to get accustomed to the idea: reparations by Israel and the Jews for the losses in human lives and suffering inflicted upon the Palestinians for nearly 30 years. But not by Israel and the Jews only: the burden of these reparations also lies upon the shoulders of the world community and the Arab countries. And finally, this also means that the Palestinian state will have to be able to enjoy the same various kinds of assistance that Israel has received for the last 25 years.

As for the Palestinians, those who so desire should have the right freely to emigrate wherever they wish—including Israel, the United States and the Arab world—with a view to settling and becoming citizens in the country of their choice. Israeli citizens from among the Arab minority, who so desire, would have the right to emigrate to the Palestinian state and thus become once more Palestinian. And the Jews who came to Israel from the Arab countries and settled there

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would have the right to return to the countries of their origin, and to recover their citizenship there.

The problem that inescapably arises and evidently is the most thorny is that of frontiers. What should be Israel's frontiers? What frontiers should the state of Palestine have? My answer is: frontiers to be negotiated from the starting point of the only legal basis which exists—the partition plan adopted by the United Nations in 1947. I emphasize: "negotiated" and "from a starting point." What this means is that one bars the frontiers established by force of arms; rather, one negotiates with a view of arriving at a new and sensible delimitation of the two states, both of which will have to be viable. Negotiated, hence accepted by both sides and their neighbors—in sum, "recognized and secure" frontiers that in most cases will be of no greater importance than moving in one direction or another a few square kilometers, mostly desert.

IV

If, as I believe, Jews and Arabs are mature enough to accept a historic compromise as sketched in this essay, they will not need the assistance or the good offices of any third party to launch the negotiations. They will not need a useless intermediary who tries to avoid the heart of the matter. Direct negotiations between Israel, backed by representation of the Jews of the world, on the one hand, and Palestinians surrounded and assisted by the Arab states, on the other hand, should be undertaken. It can be done under the auspices of the Security Council of the United Nations and without any preconditions other than the goodwill expressed in advance to seek a just and durable solution.

It is my firm belief that once the main obstacle—the complicating factor of Kissinger's step-by-step negotiations—is removed, the great historic day of Jewish-Arab negotiations concerning a solution to the Palestine problem will not be far off. One more obstacle will have to be removed and this is the problem of "legitimacy": one will have to break out of the vicious circle, if ever there was one, in which the Israelis refuse recognition of the Palestinians in order not to "legitimize" them and, of course, vice-versa. Yet each of the protagonists exists by the determination to survive and by the fight for that existence. It is not the negotiation which will endow legitimacy—it is the end of the negotiation, the agreement.

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CHINA'S TRADE POLICY AND SINO-AMERICAN RELATIONS

By Alexander Eckstein

IN June 1971, a month before Henry Kissinger's secret trip to Peking, the United States lifted the trade and payments embargo that had been in effect on the Chinese People's Republic ever since 1949. The move followed a number of lesser measures of relaxation taken from 1969 onward, and of course set the stage for the Kissinger visit and President Nixon's trip in February 1972. In the Shanghai Communiqué, the two nations agreed "to facilitate the progressive development of trade between their two countries."

Roughly four years after these dramatic events, it is a good time to take stock of the trade aspect of the Sino-American relationship. For it has followed a course few, if any, would have predicted in 1971. On the import side, to be sure, there has been the slow and gradual upward trend that seemed logical, from both political and economic standpoints, for the trade pattern as a whole. But U.S. exports to China have been a different story, rising much more rapidly in 1973 and 1974 than anyone had forecast—so much so that America became, next to Japan, China's most important supplier. Then, in the current year of 1975, exports have been dropping back so sharply that it now looks as though total trade both ways will be less than half the levels of the two previous years. As shown in Table I, these divergent export and import trends have also produced very wide fluctuations in the Sino-American trade balance, which rises from a 2:1 ratio in our favor in 1972 to almost 12:1 in 1973 and then (based on current projections) reverts to less than 2:1 in 1975.

TABLE I

U.S.-CHINA TRADE, 1971–1975

(in millions of U.S. dollars)

	1971	*1972*	*1973*	*1974*	*1975*
U.S. Exports	0.0	63.5	739.7	820.5	250
U.S. Imports	4.9	32.4	63.9	114.7	150
Total Trade Turnover	4.9	95.9	803.6	935.2	400

SOURCES: The data for 1971 to 1974 were obtained from *U.S.-China Business Review,* March-April 1975, p. 19. 1975 figures represent U.S. Department of Commerce projections developed in William Clarke and Martha Avery, "The Sino-American Commercial Relationship," *China: A Reassessment of the Economy,* Joint Economic Committee, 94th Congress, First Session, Washington: GPO, July 1975, pp. 500–534.

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Why these drastic fluctuations? Are we seeing here the renewed impact of political factors, especially on the Chinese side? Or are there serious disabilities, partly political and partly economic, that account for the United States being only a residual supplier of grain to China, and only a minor source for the industrial plants that China has been purchasing since 1972?

These are central questions for the current and future state of Sino-American relations generally. But before one can provide reasonable answers one must look at the foreign economic policy of the People's Republic as a subject in itself. For the cumulative evidence of the last four years clearly shows that in this period China has not only embarked on a major shift in her foreign policy, including the separate rapprochements with the United States and Japan, but has adopted far-reaching changes in her trade policy and indeed in her whole outlook toward close economic relations with foreign countries. The nature, depth, and permanence of these changes are vital elements in any estimate of the future policies of China under the successors to Mao Tse-tung and Chou En-lai.

II

The fall of Lin Piao in September 1971—and his death in an airplane crash between China and Russia—marked the culmination of a period in which the role of the military in China had been very much enlarged. With the virtual disintegration of the Party apparatus during the Cultural Revolution (1966–68), the Army was called upon to perform many Party roles and to serve as the cement holding the polity and economy together.

This enlarged political role of the Army was reinforced by rising Sino-Soviet tensions, aggravated by the enunciation of the Brezhnev Doctrine and the Soviet invasion of Czechoslovakia in 1968. The perception of a grave Soviet threat apparently spread and gained increasing credibility in China thereafter. The accumulated tensions then exploded in the Chenpao (Damyanski) Island incident of March 1969, leading to large-scale border clashes between Soviet and Chinese troops along the Amur river border. All these developments combined seem to have then prompted a rapid rise in military outlays between 1969 and 1971.

However, during 1971, it appears that the Chinese leadership must have engaged in a fundamental reappraisal of its internal and external policies. In part, of course, this reappraisal must already have been under way, as shown by Mao's interview with Edgar Snow in December 1970 in which he indicated that Nixon would be welcome to visit

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China "either as a tourist or as President."[1]

Perhaps most notably, the steep rise in military expenditures was not only halted but reversed, so that since 1972—according to analyses recently published—Chinese military expenditures may have declined by as much as 25 percent measured in constant dollars.[2] Never formally announced by the Chinese leaders, the reasons for this abrupt change can only be surmised: one, quite possibly, was that the perception of a Soviet threat seemed less acute. With the reopening of relations with the United States virtually assured after the Kissinger trip, Chinese policy-makers may have begun to rely implicitly and tacitly at least on American deterrence to check incipient or overt Soviet expansionist tendencies in Asia.

Internal needs and developments must also have contributed to the shift in the allocation of resources. As the Party was being reconstituted in the post-Cultural Revolution period, it was once more bidding for supremacy of control over all institutions including the Army. Shrinking military expenditures would necessarily involve some reduction in the Army's control over resources. At the same time, the Cultural Revolution-engendered disruptions had led to a decline in the nonagricultural sectors of the economy, and there was also an accumulated backlog of investment forgone during this period. These deficiencies had been made more critical by the 1969–71 subordination of economic requirements to military claims on resources.

It seems probable that debate on these issues was acute while Lin was still alive and in good standing, and that he himself was deeply involved. Whether his fall reflected or triggered a denouement we shall perhaps never know. In any case, the full thrust of a new line of policy began to emerge after his death.

Basically this new line raises the priority ranking assigned to sustained and long-range economic development. It has been evidenced in the decisions taken by the Chinese leadership and in the large number of new projects launched since early 1972, and was most clearly, explicitly, and authoritatively enunciated recently in Premier Chou En-lai's Report on the Work of the Government delivered at the National People's Congress in January 1975. In this speech he sketched out his hopes for China's future economic development, speaking of turning "a poverty-stricken and backward country into a socialist one with the beginnings of prosperity in only twenty years

[1] *Life*, April 30, 1971.

[2] Sidney H. Jammes, "The Chinese Defense Burden, 1965–74," *China: A Reassessment of the Economy*, pp. 459–466.

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and more." Before the end of the century, China "is to accomplish the comprehensive modernization of agriculture, industry, national defense and science and technology so that our national economy will be advancing in the front ranks of the world."[3]

The full sweep of actions under the new development policy need not detain us here. From the standpoint of foreign economic policy, the key point is that the leadership appears to have recognized from the outset that the central elements in the new policy—increased investment, stress on more fertilizer production and other agricultural assistance, and advanced technology generally—inevitably called for increased imports of capital goods and even of some capital. And the leadership could not proceed very far along this road without coming into conflict with the more or less autarkic Chinese foreign trade policy that had dominated the 1960s.

Since 1949 Chinese policy-makers have in effect pursued three different foreign trade policies. In the 1950s they followed an open and active foreign trade orientation. China's foreign trade grew at an average annual rate of 15 percent (in real terms) between 1952 and 1959, much faster than GNP, so that in a literal sense the Chinese economy was becoming more rather than less foreign-trade oriented.[4] Foreign trade was leading growth in an economy in which it necessarily constituted a quite small sector. And, in particular, the Chinese economy became heavily dependent on the Soviet Union; foreign trade expansion meant primarily a rapid growth in commercial exchanges with the U.S.S.R. and Eastern Europe.

About 1960 this trade policy was reversed, and the Chinese turned to a policy of "self-reliance," interpreted at that time as import minimization. The triggering event was, of course, the rising Sino-Soviet tension that led to the sudden withdrawal of Russian technicians in 1960. A number of complete plant projects had to be left standing in an unfinished state for years, and there was a significant delay in the Chinese nuclear program and a disruption in the weapons procurement process. Faced with these consequences of the Soviet withdrawal, the Chinese apparently resolved not to become dependent again on any foreign country.

The withdrawal of Soviet technicians happened to coincide with the onset of a deep economic depression (1960-62) in the wake of the failure of the Great Leap Forward. This depression forced the Chinese to cut back exports, thus reducing their earnings of foreign

[3] "Report on the Work of the Government," *Peking Review*, No. 4, January 24, 1975, pp. 23–25.
[4] Alexander Eckstein, "China's Economic Growth and Foreign Trade," *U.S.-China Business Review*, July–August 1974, p. 16.

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exchange. Therefore imports had to be curtailed sharply. At the same time the economic decline led to large cutbacks in investment and to an attendant shrinkage of machinery and equipment imports. Concurrently, the scarce foreign exchange had to be husbanded for financing grain imports needed for filling part of the gap left by a succession of poor harvests. Thus China's economic growth rate was significantly reduced in the 1960s, and the combination of slow growth and autarkic trade policy naturally produced a stagnation in foreign trade levels.

TABLE II

THE FOREIGN TRADE OF THE CHINESE PEOPLE'S REPUBLIC, 1950–74.

(in millions of U.S. dollars)

Year	*In current prices*		*In constant 1963 prices*	
	Exports	*Imports*	*Exports*	*Imports*
1950	620	590	NA	NA
1951	780	1,120	NA	NA
1952	875	1,015	795	1,005
1953	1,040	1,255	995	1,295
1954	1,060	1,290	930	1,345
1955	1,375	1,660	1,295	1,715
1956	1,635	1,485	1,560	1,555
1957	1,615	1,440	1,530	1,380
1958	1,940	1,825	1,940	1,825
1959	2,230	2,060	2,315	2,085
1960	1,960	2,030	1,920	2,070
1961	1,525	1,490	1,540	1,520
1962	1,525	1,150	1,585	1,180
1963	1,570	1,200	1,570	1,200
1964	1,750	1,470	1,685	1,435
1965	2,035	1,845	2,005	1,785
1966	2,210	2,035	2,155	1,915
1967	1,945	1,950	1,930	1,840
1968	1,945	1,820	1,920	1,735
1969	2,030	1,830	1,920	1,690
1970	2,050	2,240	1,865	1,890
1971	2,415	2,305	2,180	1,880
1972	3,085	2,835	2,570	2,115
1973	4,895	4,975	3,000	2,760
1974 (preliminary)	6,305	7,410	2,765	3,165

SOURCE: Nai-ruenn Chen, "China's Foreign Trade, 1950–74," in *China: A Reassessment of the Economy*, p. 645.

As may be seen in Table II, China's foreign trade peaked in 1959 and thereafter exports and imports fluctuated around a more or less stable level until 1972. Foreign trade lagged behind growth so that the economy was becoming less foreign-trade oriented. The trade

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share of GNP dropped from an estimated 8 percent in the 1950s to perhaps around 5 percent for Chinese exports and imports combined. This compares with 7 percent for the United States, 15 percent for India, 18 percent for Brazil, and 22 percent for Japan, with much higher ratios for small countries. Thus even by the standards of the large continental economies, China's trade ratio was (and still is) low.

This autarkic policy of the 1960s was apparently relaxed, on present evidence, in 1971 or 1972. While the Chinese continue to speak of "self-reliance," more and more it has become evident that the slogan has been reinterpreted. Apparently, it no longer means minimizing imports. On the contrary, it implies a much more open foreign-trade orientation. To the extent that "self-reliance" still has any of its old meanings, this may be in the sense of seeking to minimize the country's foreign *financial* dependence. The Chinese have repeatedly stressed that they are not interested in foreign credits, and are not prepared to accept these. China's foreign trade must be self-financed and, in principle, should be constrained by the country's ability to export and earn foreign exchange. We shall see later whether even this principle has been strictly followed in actual practice.

III

China's new international economic policy became visible in several quite dramatic ways. Foreign trade was expanded very rapidly, a large program of importing complete plants was launched and a most substantial expansion of oil production and exports was decided upon. At the same time, major commitments have been made to developing the whole foreign trade infrastructure, that is, port facilities, shipping, pipelines, railways and aviation.

As noted before, China's foreign trade contracted very sharply in the early 1960s, reaching its low point in 1962. It then nearly recovered to 1959 levels by 1966, only to experience a setback due to disruptions engendered by the Cultural Revolution. By 1971 foreign trade not only started to recover once again but was clearly following a vigorous expansionary path. As a result, former peak levels were finally exceeded in 1972. This was followed in 1973 by a dramatic 35 percent rise in imports and a 15 percent increase in exports, representing a sharp spurt in total trade turnover, all expressed in real terms. The marked rise—particularly in imports—resulted from greatly stepped-up purchases of capital equipment, industrial materials and grains, to fuel the invigorated development program on the one hand and to fill the food supply gap on the other. The last was an emergency action probably outside the original plans; we shall come back

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to this in the context of Sino-American trade relations.

An ambitious plant import program was initiated in late 1972, with the first contracts signed in December of that year. This involves sales to China of complete factories and power plants, with the buildings constructed by the Chinese. Machinery and equipment are transported to China, to be installed with the assistance of foreign technicians, who also help in the training of engineers and other operational personnel charged with running the plant. Between December 1972 and the spring of 1975, the Chinese entered into approximately 45 contracts for the purchase of about 100 complete plants valued at around 2.2 to 2.5 billion U.S. dollars.[5]

This is clearly a very massive program which will greatly augment China's present production capacity, particularly in steel, petrochemicals, chemical fertilizer and electric power generation, the industries in which most of the purchases are concentrated. The scope and importance of the program can perhaps best be gauged in comparison with plant imports from the Soviet Union and Eastern Europe in the 1950s. Building on foundations previously laid and representing the core of the first five-year plan, that earlier program went a long way toward creating China's present industrial base; in terms of 1973 prices it was a three-billion-dollar program first conceived about 1950 and executed over the period roughly from 1953 to 1960, at an average annual rate of delivery of about $430 million. By comparison it now appears that virtually all the plants bought between late 1972 and early 1975 will be put in place over a three-year period, between 1975 and 1978, representing an annual delivery rate of about $700 to $800 million. Therefore on an annual basis the present program is much more intensive than the complete plant imports of the 1950s, although in the aggregate it is still about 25 percent smaller.

If the program of importing complete plants bears a significant resemblance to Chinese undertakings in the 1950s (except, of course, as to source), the second striking feature of post-1971 trade policy—China's increasing role as an oil exporter—is entirely new and original in Chinese economic history. Until the 1960s it was generally thought that China was poorly endowed with oil resources. Indeed, Chinese crude oil production was quite small and the country was dependent on imported supplies of petroleum and its products, mostly from the Soviet Union. As part and parcel of the self-reliance policy and to free themselves from dependence on the Soviets, the Chinese then embarked on a most active program of geological exploration.

[5] Based on "Plant Sales to China," *U.S.-China Business Review*, No. 1, Vol. 1, pp. 36–38; No. 2, Vol. 1, p. 10; No. 3, Vol. 1, pp. 38–41; No. 5, Vol. 1, pp. 8–15; No. 6, Vol. 1, pp. 8–9.

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As a result, sizable deposits were discovered in North and Northeast China, the Pohai Gulf, and offshore along the continental shelf.

Although the Chinese have said little to this day about the scope of these discoveries, their impact became apparent in a small way even in the mid-1960s when the Chinese ceased to have to import oil. By the early 1970s China was exporting small marginal quantities, and the leadership must have been aware that it had, in oil, a major potential asset that could transform China's capacity to earn foreign exchange. It is intriguing to speculate on the weight this revelation may have had in setting the new overall policy; what is clear is that the Chinese have for some years been making the heavy investments—in exploration and drilling, and now in shipping—required to develop and sell their oil in quantity abroad.

Thus, in recent years, we have seen a dramatic rise in Chinese oil production and especially in exports. Total output, a mere 5 million tons a year in 1961 (or 100,000 barrels per day), has now been estimated at 54 million tons in 1973 and 65 million tons in 1974. (By comparison, Indonesia's 1974 production was 70 million tons.) And in 1974 exports of oil first became a substantial entry in the Chinese trade ledger; between 5.5 and 6 million tons were exported, and the return to China was around an estimated $500 million, or approximately 8 percent of China's total export earnings. The bulk of the 1974 shipments went to Japan, about 500,000 tons were destined for the smaller countries of Asia, and 1 to 1.5 million tons went to North Korea and North Vietnam.[6]

The best present estimate is that in the current year, 1975, Chinese oil exports will rise to 10 million tons (or 200,000 barrels per day). Japanese energy planners, perhaps the best-informed foreigners on the subject, currently project Chinese oil shipments of 30 to 50 million tons to Japan by 1980. Should these materialize they would provide about 10 to 15 percent of Japan's oil import requirements.[7]

Actually in projecting China's oil export capabilities and Japanese purchases of this oil over the next five to ten years, a number of complex factors must be taken into account. As indicated above, China's 1974 oil production was estimated at 65 million tons (or 1.3 million barrels per day). There seems to be a fair degree of consensus among oil industry and energy specialists who have followed Chinese developments that 200 million tons may be a reasonable production estimate for 1980. This is projected on the assumption that output will grow at

[6] Bobby A. Williams, "Chinese Petroleum Industry: Growth and Prospects," *China: A Reassessment of the Economy*, pp. 228, 239–40.

[7] Based on interviews with Japanese economists, government officials and businessmen in April and May 1975.

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an average rate of 20 percent per year and that virtually all of it will come from fields in which drilling is already under way.

These fields are preponderantly onshore, with some drilling anticipated in the shallow waters of the Pohai Gulf, close to shore. To attain these production levels will require additional investment in drilling facilities, pipelines, and harbor facilities so as to get the oil transported. On present indications, these investments do not seem to be beyond China's capabilities either in terms of the resources or technology required.

This process could be greatly accelerated if the Chinese wished to commit themselves to rapid development of offshore drilling. Correspondingly, it could be slowed down if the necessary investments for further expansion of onshore drilling and for transport were not sustained. At present the development of oil production is clearly assigned top priority along with food and steel, as was underlined again this spring by Vice-Premier Teng in a meeting with a group of American newspaper editors. One can of course never rule out the possibility that these priorities may be altered, but barring a major political upheaval or economic disaster this is not too likely over the next few years.

Quite powerful economic and foreign policy considerations converge in support of a high priority for the development of the petroleum industry. Rising oil exports can greatly augment China's foreign exchange earnings. At the same time they can minimize Japan's inducements to invest in the development of Siberian oil resources, thus also diminishing Japan's interest in seeking closer economic and political links with the Soviet Union. However, China's interest in the development of her oil resources has at least up to now not gone so far as to encourage a large-scale program of offshore exploration and drilling. Given the highly complex technology involved, such a program would require some form of technical assistance by major international oil companies, apparently on terms which are not compatible even with China's liberalized self-reliance policy. Therefore, on the basis of present indications, the Chinese prefer to embark on this effort by themselves, purchasing the drilling rigs, other equipment and technical assistance abroad as needed but managing the whole enterprise themselves. This will necessarily be a slower development, but in the light of the considerable potential for onshore exploitation in the next five years at least, there is no great pressure on them to accelerate the offshore program.

This analysis of China's oil export potential has thus far only considered factors bearing on supply availability. What about the char-

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acter of demand and markets for this oil? Given Japan's geographic proximity and almost total dependence on imported oil, she can be justifiably viewed as the most natural or logical outlet for China's surplus. Nevertheless, there are a number of conflicting considerations that must be taken into account in assessing China's prospects in the Japanese oil market.

First of all, Chinese oil has certain peculiar characteristics. Some of it is of low quality (e.g., Shengli oil), primarily suitable for burning as fuel. This does not apply to most of the exported product, which has a low sulphur but high wax content and leaves a heavy residue after refining—quite similar to Indonesian but different from Middle Eastern oil. Since Japanese refineries are largely geared to processing Middle Eastern oil, Chinese oil presents special problems and requires special refining equipment or devices. Therefore the market for this type of oil is limited and must be shared with Indonesia.

Since the Japanese have a strong interest in maintaining close links with Indonesia, they consider it most important to continue importing sizable quantities of oil from there. Necessarily this then constrains the demand for China's oil in Japan. The problem is further complicated by shipping bottlenecks—specifically the inability of Chinese ports to accommodate large tankers so that most of the oil has to be shipped in smaller bottoms which drives up the transport costs. However, there are several counteracting factors at work. Viewed from the perspective of the Japanese government, an important national objective is to diversify the country's sources of oil supply and thus minimize the risks attendant upon primary dependence on Middle Eastern oil. Therefore from the standpoint of long-run energy policy, there is a strong incentive for the Japanese government to subsidize the importation and refining of Chinese oil, and in fact various schemes designed to accomplish this are under active consideration.

There is also a serious concern that unless the Chinese can find an outlet for their products, they will not have the purchasing power required to buy Japanese machinery, equipment and other products. In these terms, too, Chinese oil imports are much more welcome than textile shipments which compete directly with Japanese textile manufactures. Finally, political considerations reinforce the economic factors cited. There seems to be a strong and deep commitment in Japan today to develop closer links with China and to use trade as perhaps the most important avenue for building a long-term relationship between these two neighbors.

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Thus, what may be emerging in China's foreign trade is a new pattern. As Table III shows, until recently China has been selling agricultural products (including rice) and textiles, the proceeds of which are used to purchase wheat, some other grains, chemical fertilizer, machinery and a variety of other products. However, the Chinese have experienced increasing difficulties in placing their cotton textiles, silk and some other products in recent years, and this in turn has placed definite constraints on the level of trade.

Viewed from this perspective, China's rapidly rising oil production

TABLE III
COMMODITY COMPOSITION OF CHINA'S TRADE, 1966 AND 1973

(in percentages)

	Imports			*Exports*	
	1966	*1973*		*1966*	*1973*
Foodstuffs, of which	26	20	Foodstuffs, of which	28	33
Grains	(20)	(17)	Animals, meat & fish	(10)	(10)
Crude materials, fuels			Grains	(7)	(11)
and edible oils, of which	17	20	Fruits & vegetables	(5)	(5)
Rubber	(4)	(3)	Crude materials, fuels		
Textile fibers	(7)	(8)	and edible oil, of which	22	18
Chemicals, of which	12	9	Oil seeds	(4)	(2)
Fertilizers	(8)	(4)	Textile fibers	(5)	(6)
Manufactures, of which	45	50	Crude animal materials	(4)	(3)
Textile yarn & fibers	(2)	(1)	Chemicals	4	5
Iron and steels	(11)	(19)	Manufactures, of which	42	44
Nonferrous metals	(3)	(8)	Textile yarns & fabrics	(14)	(16)
Machinery and			Clothing	(8)	(6)
equipment	(22)	(17)	Iron and steel	(4)	(2)
Other	1	1	Nonferrous metals	(2)	(1)
Total, in percent	100	100	Other	5	1
in millions of dollars	2,035	4,975	Total, in percent	100	100
			in millions of dollars	2,210	4,895

(Components may not add to totals shown due to rounding.)

SOURCE: Nai-ruenn Chen, "China's Foreign Trade, 1950–74," in *China: A Reassessment of the Economy,* Tables A.2 and A.3, pp. 646 and 647.

and exports provide an opportunity for breaking away from the old constraints on her trade. In effect, the new oil exports pave the way for a continued high level of imports of plant and equipment. Since these developments are quite recent they do not yet show up in the figures presented in Table III but may be expected to appear clearly in China's export and import data for 1974 and 1975. If this is in fact to be the pattern at least for the next few years, its significance is very great indeed.

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Certainly this transformation in China's trading pattern must pose some political dilemmas. It could significantly augment China's involvement in the international economy, and thus expose the Chinese economy to the vagaries and uncertainties of the world market—as we shall see was amply demonstrated in 1974. An enlarged international sector may also entail more contact between foreigners and Chinese businessmen, officials, technicians, scientists and others. One of the prime avenues for extensive contacts is provided by the complete plant program. For instance, the construction of the large steel complex in Wuhan—being jointly installed by DEMAG and Nippon Steel—will require the presence of 20 German and 200 Japanese technicians in China and a six-month stay for training by Chinese in Japan. There will be approximately 250 to 300 Americans engaged in the installation of eight fertilizer plants, with perhaps a maximum of 100 to 120 present at any one time for periods ranging from two to fifteen months. It has been crudely estimated that a total of 2,000 to 3,000 foreign technicians will be stationed in China between 1974 and 1977. This then may not only bring with it transfer of foreign technology, but transfer of foreign ideas, approaches and influences.

These issues have clearly been debated in the top ranks of the leadership—as evidenced by occasional attacks on the policy in the Chinese press and by periodic rebuttals and counterattacks. They have almost certainly constituted one of the foci of policy conflict between the contending groups in the leadership. Nevertheless, the course that took shape in 1971 and 1972 seems to have been followed quite consistently since, apparently with the full backing of Premier Chou and with the probable blessing of Chairman Mao.

The development of oil resources and the rapid expansion of foreign trade imposed very heavy strains on China's port and shipping facilities. In 1973 and the first half of 1974, the China trade was replete with complaints of port congestion, long turnaround time for ships, shallowness of ports so that large tankers could not use the harbors, and poor bulk loading and unloading facilities. Given the character of Chinese ports, Chinese oil is shipped in 20,000- to at most 30,000-ton freighters rather than 100,000- to 200,000-ton tankers. This necessarily raises transport costs and reduces somewhat the competitiveness of Chinese oil as compared with other sources of supply available to Japan. At the same time, lack of container port and bulk handling facilities has slowed down the delivery of grain, iron ore and a number of other products.

Against this background, Chinese planners have allocated sub-

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stantial resources to correct this situation. A major effort is under way to deepen the ports, and in this connection large orders for port dredging equipment have been placed abroad. The Chinese are also building a major container port near Tientsin and possibly in one or two other harbors, and an offshore oil loading facility is being built near Dairen which will accommodate large tankers. An oil pipeline network is under construction in North and Northeast China, with a long spur from the Taching oil field to the port of Chinghuangtao and another running from this port to a refinery on the outskirts of Peking completed recently.

Finally, as part and parcel of this effort to create the necessary infrastructure for the support of a foreign trade expansion program, the Chinese have invested heavily in expanding their merchant marine. Since 1971 or 1972 they have added about 1.5 to 2.0 million tons to their shipping fleet, about 1.1 million of which consists of 64 secondhand ships mostly bought from Japan, Norway, Poland and Yugoslavia.[8]

IV

China embarked on her new foreign economic policy at a time when the world economy was experiencing a boom. The opening of relations with the United States, the entry of the People's Republic into the United Nations, and the normalization of relations with a number of countries, all occurred while the world economy was rapidly expanding. In these circumstances—and even before oil came into the picture—the climate was favorable for a significant increase in China's traditional exports which then could be used to finance the increasing imports needed to meet new development priorities.

Expansion of imports was also facilitated by China's readiness to accept what were in effect intermediate-term credits—typically up to five years. These took the form of deferred-payment schemes, through suppliers' credits financed by commercial and government banks and in most cases government-guaranteed. Willingness to accept these forms of financing was another manifestation of the more open economic posture since 1972, although the Chinese had entered into similar arrangements on a much more modest scale with West European manufacturers in the early 1960s.

The advent of the world recession and the concomitant "slumpflation" in late 1973, however, confronted the Chinese with an entirely new and unprecedented situation. In the 1950s, when China's trade

[8] Based on information provided by Japanese shipping and commercial sources in interviews with the author in April and May 1975.

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was likewise growing very rapidly, it was expanding primarily within the context of guaranteed markets, defined through bilateral agreements between the Soviet Union and East European countries on the one hand and the People's Republic of China on the other. Then, in the 1960s, when China started to reorient her trade after the Sino-Soviet break, China's total trade was sluggish, while the world economy and world trade were expanding rapidly. Therefore, the Chinese had no difficulty in finding markets for their goods. Moreover, during the 1960s world market prices were reasonably stable so that Chinese planners could pretty well forecast their foreign exchange earnings and requirements. They could then plan for a balance-of-payments equilibrium, usually with a small surplus.

As world inflation gained momentum in the early 1970s, the prices of China's imports were rising along with the volume of imports and thus the total import bill was increasing rapidly. For a time this was compensated both by higher prices that could be charged for the country's exports and by the quantitative increase—as noted earlier, the volume of exports rose by about 15 percent (in real terms) in 1973.

However, in 1974 the world situation became one of widespread and deep recession linked with double-digit inflation. As a result, Chinese trading corporations found it quite difficult to place their traditional exports. This was most pronounced in textiles, but by no means confined to it. Thus, Chinese sales to Hong Kong in 1974 were about 22 percent below 1973 levels if one adjusts for price increases. And while total Chinese exports to Japan rose in 1974 with the surge of oil, non-oil exports declined by about a quarter.[9] Since about 30 percent of China's exports go to Japan and 20 percent to Hong Kong, the impact was serious.

All told, China's exports may have declined by about 10 percent in 1974 if expressed in real, quantum terms. On the other hand, import schedules designed in 1972 had created a momentum which carried forward well into 1974. Complete plants began to be delivered in 1974, and the demand for imported industrial materials was steadily rising. Furthermore, grain imports, greatly stepped up in 1973, continued at almost the same rate in 1974 in order to build up domestic reserves badly depleted following the inferior 1972 harvest.

Chinese planners could not and almost certainly did not anticipate the seriousness of the world recession or the resulting decline in Chinese sales. Consequently they apparently did not slow down the pace

[9] The Hong Kong data are based on official statistics published by the Census and Statistics Department. The estimates for Japan were derived by the author from detailed statistics of Sino-Japanese trade in "General View of Japan-China Trade in 1974," *JETRO China Newsletter,* No. 7, April 1975, pp. 1–10.

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of import orders until the latter part of 1974. Thus, in spite of belated corrective measures, the 1974 trade deficit turned out to be about one billion U.S. dollars, by far the largest incurred by the People's Republic in its 25-year history.

However, this may be expected to be a short-term phenomenon. In 1975 and 1976 Chinese planners may be expected to scrutinize imports more carefully than they did in 1973 and 1974. But a sizable share of imports are based on advance commitments, and there are strict limits to how far purchases from abroad can be curtailed without slowing down domestic investment and the pace of development. As the world economy gradually pulls out of the recession, China's traditional exports—mostly agricultural and textile products—may once more find somewhat readier markets. Most importantly, year by year China's oil exports are rising very rapidly and this will almost certainly reestablish the country's trade balance while providing greatly enlarged foreign exchange resources.

V

In the meantime how are the Chinese financing their trade gap? The measures taken perhaps represent the clearest illustrations of the new and reinterpreted self-reliance policy. One of its most explicit formulations is the following statement by Vice-Premier Teng Hsiao-ping in October 1974: "Only self-reliance is a sure-fire method. Why is there world inflation, with only the Renminbi [People's currency or yuan] not likely to be affected? Because of our reliance on our own resources. We now also accept installment payment terms for machinery from abroad *but only in the knowledge that we are capable of making regular payments*. We must remain free from debts, both at home and abroad, and go not further than that."[10]

Clearly short-term and medium-term indebtedness is considered compatible with the self-reliance policy provided it is not labeled credit and in its overt form comes from a commercial supplier in the form of deferred payment rather than a bank or a government finance agency. In implementing this policy, the Chinese have used a number of expedients to cover the large trade deficit of 1974 and a smaller deficit in 1973. In this process, the Bank of China has greatly expanded its operations in recent years and has become very active in international financial markets.

A whole variety of devices have been used either to defer payments for goods received or to obtain foreign exchange to pay for them.

[10] Teng made this statement at a reception of Overseas Chinese in Peking on October 2, 1974; quoted in *U.S.-China Business Review*, No. 1, Vol. 2, p. 34.

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These range from quite short-term 30-day suppliers' credits to 5-year deferred-payment schemes linked to complete plant deliveries. Even during the 1960s, when a quite strict self-reliance policy was pursued, the Chinese purchased grain on 12- and 18-month installments from Australia and Canada respectively. More recently, the massive purchases of grain from the United States in 1973 and 1974 were financed by 12- to 18-month credits extended in large part by American banks operating through foreign or multinational banks.

This spring a contract was signed for the purchase of 1.5 million tons of steel from Japan, to be delivered within six months and paid for over a 12-month period. This was the first time that a deferred-payment scheme was used for steel shipments to China. In the last year or two the Chinese have also greatly stepped up their reliance on short-term financing of deliveries in virtually all commodity categories. These involve commercial credits ranging from 30 to 180 days. In addition, a number of West European and Japanese banks have been invited to place foreign currency deposits in the Bank of China. Apparently these deposits are for periods up to one year, renewable year by year. They are placed at Eurodollar rates or at rates approximating these, and they may have totaled several hundred million dollars in 1974. They could be considered as loans in disguise.

There are unconfirmed reports that the Chinese have sought and obtained a large three-year loan financed by an international banking consortium. There have also been occasional rumors that Iran and possibly one or two Arab countries may have extended substantial and rather long-term credits to the Chinese. While this cannot be ruled out, it is improbable since it would represent a radical departure even in terms of recent Chinese policy and practice, at least in form and principle.

Will the Chinese relax their practice on foreign credit still further? Or may they swing in the opposite direction, tightening up and reverting to past standards? At this writing there is little evidence or basis for judgment, though one can sense that the steadiness of recovery in major Chinese markets will weigh heavily in deciding the direction of Chinese policy, as will the future direction of the country's foreign and domestic policies as a whole in a post-Mao/Chou era. The Chinese will not lightly repeat the 1974 experience, but with the growth of oil exports there is little reason to anticipate that they would need to run that risk, unless the world demand for oil is drastically curtailed or the OPEC cartel collapses within the next five years. Barring these contingencies, Chinese earnings should be adequate to finance a substantial development program, at least by past

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Chinese standards. If there should be a significant expansion in foreign borrowing, it would suggest a whole new degree of commitment to a markedly accelerated program of domestic economic development and a complete abandonment of the self-reliance policy—with far-reaching internal political implications.

VI

It is time now to come back to Sino-American trade and to the questions that surround it. It was purely fortuitous that a foreign policy reorientation, the crystallization of a new foreign economic policy, and the opening of relations with the United States coincided with a poor harvest year in China. Yet this particular combination of circumstances goes a long way toward explaining the peculiar pattern of Sino-American trade referred to at the outset.

China's new foreign policy and the opening of Sino-American relations were a necessary precondition for Chinese imports from the United States. These would have been precluded as long as our China policy was based on containment and isolation. The absence of any trade served both as an illustration and as an embodiment of our China policy between 1951 and 1971. Concurrently China's new foreign-trade policy, a more relaxed attitude toward credits and deferred payments, and the generally more active foreign-trade orientation discussed in preceding sections may have encouraged Chinese planners to permit the accumulation of sizable trade deficits if need be—something they would have tried to avoid at all cost in years past.

With these considerations in mind, Chinese foreign-trade planners had apparently very little reason to hesitate in placing purchase orders in the U.S. market once a clear need could be demonstrated. In these terms, the sharp rise in U.S. exports to China in 1973 and 1974, and the subsequent drop in 1975, can be explained summarily as follows: whereas U.S. trade benefited very greatly from China's need to remedy the effects of the bad 1972 agricultural harvest, the United States from the outset had only a very limited share in Chinese purchases of capital goods, especially complete plants. And, when the boom in U.S. farm exports broke, not only was there no steady rise in industrial exports to take up the slack but even in the agricultural area the United States found itself relegated to the role of a residual supplier not needed in normal times.

Take first the situation in sales of complete plants. Out of the approximately 100 complete plants purchased by the Chinese between late 1972 and mid-1975, only eight are American, and these account for $200 million out of a total program of about $2.5 billion.

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Therefore the U.S. share is about eight percent in terms of both numbers and value. By far the largest supplier is Japan, followed by the West European countries as a group. The same picture presents itself in relation to machinery and equipment purchased by China outside the complete plant framework. It is not surprising therefore that in 1973 and 1974 only 10 to 15 percent of our sales to China comprised industrial materials and equipment.

Needless to say this has been contrary to all earlier forecasts and expectations, which suggested that the United States would become a major supplier of capital goods to the People's Republic. How can one explain the poor performance of our capital goods sector in the China trade? No doubt the Japanese enjoy certain advantages in terms of geographic and cultural proximity, a long experience of trading with the P.R.C., perhaps a more aggressive pursuit of the China market, and certainly in some fields at least a competitive edge in terms of costs. However to this list must be added another most important factor which distinguishes the Japanese and U.S. situations: there is no obstacle in Japan to complete plant sales on a five-year deferred-payment or credit basis.

These credits are directly or indirectly Japanese Export-Import Bank financed at a six percent rate of interest.[11] In effect this means it is government-financed at subsidized interest rates. Under present circumstances this type of financing could not be pursued in our case for several reasons. There are institutional, corporate and individual claims by Americans against assets confiscated by the P.R.C.; correspondingly, Chinese holdings in the United States were frozen at the time of the Korean War. There is some evidence to suggest that though the United States has sought to resolve these claims-assets issues separately, the Chinese may wish to tie their settlement to full normalization of relations. In turn, until the claims-assets question is settled, U.S. Export-Import Bank financing is probably barred by law. In this sense, then, the absence of formal relations places U.S. exporters of machinery, equipment and complete plants at a disadvantage.

Given the slow growth of our capital goods exports to the P.R.C., the volatility of our trade—dramatic rise followed by sharp curtailment—is entirely due to the marked fluctuations in our sales of farm products to China. The rise in our China exports from about $63 million in 1972 to $740 million in 1973 was due preponderantly to in-

[11] In reality the Ex-Im Bank only finances up to 80 percent of the sales value while the remaining 20 percent must be obtained from the commercial banks. Typically the Ex-Im Bank lends these funds either to a commercial bank which then finances the supplier, or it lends it directly to the latter. In either case, the Chinese deal only with the supplier of the complete plant.

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creases in agricultural sales—both in 1973 and 1974 about 80 percent of our exports to China were agricultural. Why are these then dwindling in 1975? This question can only be illuminated through a brief analysis of China's grain import demand.

Through the 1950s China was a net exporter of grains, primarily rice. This trend was reversed under the impact of the acute agricultural crisis between 1959 and 1962. Consequently China began importing large quantities of grain in 1961, primarily from Australia and Canada and secondarily from France and Argentina. At first they imported about 6 million tons of grain annually, mostly wheat. This then declined somewhat and since the mid-1960s purchases have fluctuated between 3 and 5 million tons. At the same time they resumed rice exports, although these did not match the grain imports in terms of quantity or value. Then, in 1973, China's grain imports (wheat and corn combined) increased from 3.4 million tons in 1972 to a record of 7.3 million tons, dropping back only slightly to 6.9 million tons in 1974. They are now expected to drop to 5.5 million in 1975. In 1973–74 the Chinese also stepped up their imports of other farm products, notably soybeans and cotton, again reflecting harvest fluctuations.

Canada and Australia had been China's traditional suppliers of grain. However when China rapidly raised her requirements just at a time when U.S.-China relations were opened, she looked to the United States to meet the greatly increased demand; in a tight world grain market it is improbable that Australia and Canada could have provided the additional quantities. Then, when import orders were curtailed following a good 1974 harvest, China reverted to her traditional sources of supply in 1975, treating the United States as a residual supplier of agricultural products and thus sharply reducing purchases here.

However, this account does not appear to explain fully why, when China curtailed her farm import orders, the whole burden of reduction was shifted to the United States, and not equally distributed among Canada, Australia and the United States. There is no question that there were quite serious quality problems with the wheat, corn and soybeans supplied by the United States. Moreover, China has three-year wheat import agreements with Australia and Canada and not with the United States. Yet, these considerations do not seem an adequate explanation, nor do they apply at all to the 1975 cancellation of raw cotton orders from the United States, particularly since China continued to import cotton from other sources. Therefore it would not be unreasonable to assume that the lack of formal diplo-

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matic recognition constituted an additional reason for the cancellation of contracts. It is more than probable that, in anticipation of President Ford's visit later this year, the Chinese wished to indicate to the American government and business community that full normalization of diplomatic relations is a necessary precondition for wholly normal and sustained trade relations.

The experience of other countries may be instructive in testing this proposition. As shown before, China's foreign trade rose rapidly after about 1970 under the combined impact of domestic development and a more open foreign trade orientation. This was also the period during which a number of countries established formal diplomatic relations with Peking. For 14 of these there are continuous trade figures including the period since 1970. If one takes for comparison the level of exports in the year preceding diplomatic recognition and then in 1974, in the case of Canada, Japan, Germany, Italy and Spain, exports to China did not increase more rapidly (in some cases less rapidly) than total non-communist world exports to the P.R.C. over these intervals. On the other hand, nine countries exhibited appreciably faster trade growth with the P.R.C. following recognition than the non-communist world as a whole for equivalent periods. This phenomenon was particularly pronounced in the case of Australia, Belgium, Iran, New Zealand, Nigeria, Turkey and Peru. It was somewhat less so for Argentina and Mexico.

Clearly, even in these purely descriptive terms, the relationship between recognition and rate of export growth is far from conclusive. A number of complex economic and political factors govern the course of exports between any one country and China. Therefore one cannot simply pick out a single variable such as diplomatic recognition and ascribe to it alone decisive importance. However it is impossible to avoid the inference that political factors have played an important role in many cases.

The case of Australia may be of particular interest. Australian exports to China were quite significant throughout the 1960s, ranging between $100 and $200 million, largely due to wheat exports, and were around $130 million in 1970. They then dropped below $30 million and $50 million in 1971 and 1972 respectively. After the new Labor government in Australia extended diplomatic recognition to the P.R.C. in December 1972, however, exports nearly trebled in 1973 (to $140 million) and rose very sharply again in 1974, to $320 million. The inference seems plain, that the Chinese cancelled their grain purchases in 1971 and 1972 as a way of exerting pressure, reinstated them in 1973 after relations were normalized, and kept on expanding trade

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to other fields and commodities as well, which accounts for part of the marked increase between 1973 and 1974.

Turning to other factors, the claims-assets and Ex-Im Bank financing problems—both linked to normalization—are not the only practical obstacles to a sustained expansion of Sino-American trade. Another barrier is the absence of most-favored-nation treatment (MFN), so that a full tariff is levied on Chinese goods entering U.S. markets. According to several tentative studies, it would seem unlikely that our imports from China would increase by more than 25 percent even if the MFN barrier were removed—in 1975 from a projected level of $150 million to less than $200 million; our imports from China would still be quite low, ultimately because our market for the kinds of products the Chinese export is quite limited.

But if a change in MFN status in and of itself could be expected to have only a marginal effect on our China trade, the political significance of MFN is still substantial as a symbol of discriminatory treatment and thus of less than completely normal relations. Paradoxically, under the stipulations of the recent trade act, it would be easier to lift the MFN restrictions on Russia than on China. This act not only includes the Jackson-Vanik Amendment but a number of other stipulations, the most crucial of which makes MFN treatment conditional upon a government-to-government trade agreement. If the Russians chose to relax their emigration barriers—and thus satisfy the requirements of the Jackson-Vanik Amendment—they could reinstate the 1972 Moscow trade agreement and become eligible for MFN treatment. However, in the absence of a similar formal intergovernmental trade agreement, the Chinese would not be eligible even if they were to meet the emigration requirements of the Amendment or even if they were exempted from its requirements by the Act of Congress now proposed by Senator Mansfield. And it seems most improbable that the necessary trade agreement can be concluded in the absence of formal diplomatic relations.

In sum, a careful analysis points inescapably to the conclusion that the lack of diplomatic relations is a more serious obstacle to the further development of trade than is generally recognized. Financing problems, the claims-assets issue, and the lack of MFN status or of a formal trade agreement—all these barriers can be traced back to the question of full normal relations. And the evidence of Chinese import selectivity toward the United States underscores the point. Unless and until this basic problem is cleared up, Sino-American trade will necessarily be erratic, sharply fluctuating and devoid of a firm, systematic, and fully institutionalized footing.

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JAPAN'S EMERGING FOREIGN POLICY

By Kazushige Hirasawa

"WE, the Japanese people . . . have determined to preserve our security and existence, trusting in the justice and faith of the peace-loving peoples of the world."

This passage from the preamble of the Japanese Constitution, in effect since May 1947, expresses the principle behind the nation's unarmed foreign policy. The present international situation, however, is a bit too austere for such noble idealism, leading to criticism that Japan has failed to adapt herself to contemporary international realities. The need is for a "new realism"—a foreign policy that is more clear and positive, and yet retains basic idealistic purposes.

Japan's diplomacy is in fact inhibited by two constraints. One is an international environment in which the Japanese people perceive themselves to be extremely vulnerable and limited in their options. The political-security dimensions of this environment are reflected in the tripolar structure involving the United States, the People's Republic of China and the Soviet Union. Economically, Japan's vulnerability lies in her near-total dependence on imports for fuel, feed and food (other than rice) and virtually all the essential industrial raw materials, as well as a corresponding dependence on fair access to foreign markets for her exports.

The other constraint is internal, a legacy of defeat and occupation which reinforces this sense of vulnerability, and contributes to the fragmentation and polarization of contemporary Japan's domestic politics.

Whether a "new realism" emerges in Japan's diplomacy over the next few years will depend on an easing of both constraints. The international political and economic situation will need to develop in ways which favor—or require—greater Japanese activism. At the same time, Japan's domestic politics will have to undergo transformations which will permit the emergence of a broad consensus in support of a more realistic and activist foreign policy.

At present there are tentative indications that political trends, both international and domestic, are beginning to move in these favorable directions. Economically, however, Japan continues to feel threatened by what Prime Minister Takeo Miki recently described in New York as attempts at "fragmenting the global system into rival blocs of rich versus poor, industrialized versus developing, and commodity producers versus commodity consumers."

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II

Although Japan finds herself locked into the tripolar structure of the U.S.-China-Soviet power balance in the Northwestern Pacific, Japan's own relations with the three are by no means equidistant. Take, for illustration, the figures on trade and personal contacts—which for convenience also include data on Japan's continuing relationship with Taiwan:

TABLE I

TOTAL TWO-WAY TRADE WITH JAPAN
($000,000)

	1970	*1974*
United States	$11,498.1	$24,120.1
Chinese People's Republic	822.8	3,120.4
(Taiwan)	951.2	2,796.2
Soviet Union	821.9	2,384.9

SOURCE: Ministry of International Trade and Industry

TABLE II

VISITS TO AND FROM JAPAN (1973)
(Number of Persons)

	From Japan	*To Japan*
United States	650,610	287,988
Chinese People's Republic	10,238	1,991
(Taiwan)	341,096	50,866
Soviet Union	16,055	3,804

SOURCE: Ministry of Justice

The pivotal relationship in Japan's overall foreign policy is with the United States, the ally on whom her own security ultimately depends, and by far her largest trading partner. The Japanese-American "permanent friendship," as Secretary of State Henry Kissinger has called it, has never been more cordial and harmonious than it is at present.

This was demonstrated during Prime Minister Miki's official visit this August, which resulted not merely in the issuance of a routine communiqué cataloguing topics of bilateral interest, but also in a joint statement by Miki and President Ford of the principles which guide the multilateral relations of both countries. The two leaders pledged that their countries "will continue to work together to build a more open and free international community," based on such principles as "a cooperative rather than a confrontational approach to economic issues," and "a creative international dialogue, transcending differences of ideology, tradition or stages of development."

This upgrading of Japanese-U.S. consultations, from the onetime preoccupation with bilateral trade issues to a concern with shared in-

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ternational obligations, has been cautiously welcomed in Japan. However, the fact remains that only the ruling Liberal Democratic Party (LDP) supports without reservation the Japan-U.S. Treaty of Mutual Cooperation and Security, the framework governing relations between the two nations. The treaty relationship, in effect since 1951, obliges Japan to furnish military bases to the United States, not only for the defense of Japan, but also in support of U.S. commitments to maintain peace and stability in the Far East.

This provision, which in the past raised the specter of Japan's being dragged into the Vietnam War, or into hostilities involving U.S. defense of Taiwan, has been the principal basis for opposition to the treaty. The three largest opposition parties, the Socialists (JSP), Communists (JCP) and Komeito, have all traditionally called for scrapping of the treaty and removal of U.S. bases, while the fourth, the Democratic Socialists (DSP), favor a gradual phasing out of the treaty and the bases, leaving only a residual U.S. commitment to defend Japan in an emergency.

The combined popular vote of the opposition parties has actually exceeded the LDP vote in recent elections, and over the long term the opposition vote has been growing at LDP expense. This trend raises some uncertainties about the permanence of the mutual security arrangements in their present form. However, the climate of public opinion regarding Japan's security appears to be shifting somewhat in the post-Vietnam environment in Asia. Withdrawal of U.S. military forces from the Southeast Asian mainland, and concern that the U.S. military presence in South Korea may in time be drastically reduced or terminated, have had a sobering impact.

Thus when the scholarly Defense Minister Michita Sakata recently recommended initiating continuing top-level consultations between Japanese and American military planners, public opposition was unexpectedly muted. Sakata's soft-spoken and literate manner in stating the problem may have been partially responsible for the mild reaction, but under the circumstances his logic was also persuasive.

Only future international and domestic political developments, including trends in Japanese popular opinion, will reveal whether one or more of the opposition parties will begin to modify its views on Japan's security. Such a trend would have direct implications for the durability of Japan-U.S. mutual security arrangements.

III

Japan's most ancient and complex relations have been with China, the source (both directly and through Korea) of Japan's written lan-

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guage and important aspects of her religious and aesthetic heritage. Not for centuries has China herself been regarded as a threat to Japan's security. Early in the Meiji era of modernization, however, Japan felt threatened by great-power encroachments on a weak China. The Sino-Japanese War of 1894–95 signaled Japan's entry into the great-power rivalry for influence and preferences in China, and resulted in Japan's annexation of Taiwan. This course led in time to the conquest of Manchuria in the 1930s and undeclared hostilities against both the Nationalist (Kuomintang) and Communist Chinese forces during the late 1930s and early 1940s, not to mention Japan's military sweep into Southeast Asia and the disastrous decision to attack the United States in December 1941.

Following Japan's defeat and the 1951 peace settlements, diplomatic relations were established between Japan and the Nationalist regime, which had been expelled two years earlier from the mainland to Taiwan by the Communist victors in China's civil war. Finally, in 1972, Japan and the People's Republic of China inaugurated full diplomatic relations, and the formal tie with Taiwan was severed. Nonetheless, as the earlier figures show, commercial and cultural relations have continued to flourish.

Attitudes among the Japanese people toward the people of China are ambivalent, reflecting a historical sense of both national indebtedness and national guilt. China also exerts a magnetic attraction or repulsion on the internal politics of all of Japan's major parties. Within the LDP, the Center-Left has been the principal force for normalizing diplomatic and commercial relations with Peking, while that sector of the Right which is inordinately suspicious of the People's Republic, or has business or other ties to Taiwan, has accepted normalization while insisting on maintaining the de facto relations which continue between Japan and Taiwan.

The JSP is sharply divided into pro-Peking and pro-Moscow wings, partly on ideological grounds and partly for reasons of personal connections in one or the other of the two great communist countries. Both wings have accepted normalization, but the pro-Peking wing also indulges in an accusatory politics which equates U.S. and socialist (i.e., Soviet) "imperialism," following the classic Peking line.

The more pragmatic JCP has so far based much of its electoral appeal (and successes) on a nationalistic stance, ostentatiously rejecting the influence of either Peking or Moscow. The other two opposition parties, Komeito and DSP, have supported normalization of relations with the People's Republic, while striving to maintain

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equidistance from both China and the Soviet Union.

China, although nuclear-armed and until recently openly hostile to Japan's security arrangements with the United States, is not now viewed by a majority of Japanese as a threat to Japan's security. Friendly relations between Japan and China are recognized as essential to peace and stability in the Far East. Accordingly, relations have progressed cordially, at a moderate pace, since normalization. As the tables show, trade between Japan and China had nearly quadrupled even by 1974 and has continued to rise this year, yet at the same time trade with Taiwan has also increased so that it is only slightly less than with the People's Republic. The comparison in terms of personal visits (Table II) is also striking, although it should be noted that an increasing proportion of Japanese going to the mainland are technicians who will stay for long periods.[1]

Taken alone, relations between Japan and China could be expected to develop reasonably smoothly. However, this year there has been difficulty in completing negotiations for a treaty of peace and friendship; the stumbling block has been China's insistence that the treaty contain a clause opposing the hegemony of any third power in the Asian region. Since some in Japan can see such a clause only as aimed at the Soviet Union, and since the Soviet Union has made clear its objections, this further step has become entangled with the issue of Sino-Soviet relations, and with Japan's desire to keep a balance between relations with China and relations with the Soviet Union.

Of the tripolar relations, those between Japan and the Soviet Union have historically been the coolest. Beginning in the late nineteenth century, Russia and Japan pursued competing interests on the Asian mainland, especially in Manchuria, going to war over those interests in 1904–05. Japan's territorial gains as a result of her victory over Russia were returned to the Soviet Union, following Japan's surrender in 1945. The Soviet Union, which had unilaterally abrogated its nonaggression pact with Japan in order to join in the final weeks of the Pacific War, also occupied a cluster of small islands off the coast of Japan's northernmost main island, Hokkaido.

The Soviet Union refused to sign the 1951 San Francisco Peace Treaty with Japan, but diplomatic relations were resumed in 1956, following a visit to Moscow by Prime Minister Ichiro Hatoyama. Conclusion of a formal treaty of peace and friendship between Japan and the Soviet Union has been stalled for three decades by the refusal of the Russians to discuss the return to Japanese administration of the

[1] *Ed. Note:* See Alexander Eckstein's article on Chinese trade at p. 134 of this issue, especially p. 145.

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occupied "northern territories."

Despite this irritating problem, there is general recognition in Japan that a correct and mutually cooperative relationship with the Soviet Union is essential to Asian stability. There is genuine interest as well in the potential for mutually beneficial economic cooperation between Japan and the Soviet Union, especially in developing the oil, gas and lumber resources of Siberia. These economic questions cannot be separated from the political, however, especially the dynamics of the tripolar U.S.-China-Soviet relationship.

The Sino-Soviet ideological rivalry and territorial dispute undoubtedly facilitated the partial rapprochement between the United States and China in 1972. (It remains to be seen whether it will continue to be a factor in the further normalization of Sino-American relations.) Chinese fears of Soviet "ambitions" in Asia also apparently eased the way toward Sino-Japanese diplomatic normalization, and may have brought Peking to accept Japan-U.S. mutual-security arrangements as a kind of insurance that Japan herself will neither rearm nor go nuclear.

At the same time, continuing Sino-Soviet antagonism creates uncertainties which are detrimental to Asian stability and embarrassing to Japanese diplomacy. The feud is not an asset but a liability for Japan's foreign policy. It does not enhance Japan's bargaining power, and it has the effect of dividing the Japanese public on policies toward both China and the Soviet Union.

The dispute has already intruded into Japan's commercial relations with the two countries. Soviet Foreign Minister Andrei Gromyko's visit to Japan in January 1972, and a following economic mission, led to the proposal that Japan provide a bank loan in excess of $1 billion, plus credits, to finance the construction of a 6,600-kilometer pipeline from the Tyumen oilfields in Western Siberia to the Pacific. The loan was to be repaid in shipments of 25 to 40 million tons a year of low-sulphur crude oil to Japan, over a 20-year period.

The following year, 1973, China made what amounted to an alternative proposal to supply Japan with very high-quality crude from the Taiching reserves in China's Northeastern province. This oil, which had been discovered in 1959 and went into production in 1963, contains only 0.07 percent sulphur, compared for example with 0.1 percent in the oil Japan has been importing from Indonesia.

Prior to 1973, Japan had been importing only 60–80,000 tons annually of partially refined oil from China. Under China's offer of Taiching oil, Japan imported one million tons of crude in 1973, an estimated four million tons in 1974, and an estimated eight million

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tons in 1975. After five years, China is expected to be able to export to Japan around 60 million tons annually of this high-grade crude.

China apparently now has not only an oil surplus for export, but also a political motive for discouraging Japanese participation in Siberian economic development. Japanese-Soviet negotiations on the Tyumen project, meanwhile, are dormant.

In terms of Japan's ability to conduct amicable relations simultaneously with both China and the Soviet Union, the hegemony issue in the Sino-Japanese treaty negotiations is an even more volatile test. Not only does it inject Japan into the Sino-Soviet dispute, but it has also become a divisive issue within the LDP and across the spectrum of Japanese politics.

China's insistence on an antihegemony clause in the treaty stems from her opposition to the standing Soviet proposal for an Asian collective security system—a proposal seen in Peking as a scheme for "bottling up" China. The Soviet Union, in a statement issued on June 17, 1975, called on Japan to reject the anti-Soviet stipulation (i.e., the antihegemony clause) which, it said, China was forcing on Japan. A few days later, the Information Bureau of the Chinese Foreign Ministry hit back, charging the Soviet Union with interfering in Japan's internal affairs.

In Article VII of the joint statement signed by then Japanese Prime Minister Kakuei Tanaka and Premier Chou En-lai on September 29, 1972, both countries pledged not to seek hegemony and not to allow a third country or group of countries to establish hegemony in the region. Nonetheless, Japanese opinion is divided on inserting a comparable clause into the treaty. Some Japanese legal experts argue that a joint statement and a treaty are different in character, that the meaning of "hegemony" is imprecise, and that in any event it is improper in a bilateral treaty to allude to third powers. It is also argued that, in a treaty which defines the rights and obligations of the signatories, an antihegemony clause would obligate Japan to take joint actions with China in opposition to a third country's pursuit of hegemony.

Although these arguments appeal to the pro-Taiwan wing of the LDP, there is substantial and growing support in the party for inserting the antihegemony clause in the Sino-Japanese treaty. This is also the position of all four opposition parties. The Miki government supports the interpretation that the clause should be inserted as a universal principle of peace. Miki intends to seek broader support in his own party for this view, which is based not simply on the 1972 Tanaka-Chou joint settlement, but on other precedents as well.

For example, on February 27, 1972, President Nixon and Premier

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Chou signed a joint statement in Shanghai which included this clause: "Neither should seek hegemony in the Asia-Pacific region and each is opposed to efforts by any other country or group of countries to establish such hegemony." According to Premier Chou, this clause was inserted at Secretary Kissinger's initiative. Nor has Kissinger denied it. Moreover, in his address to the Japan Society in New York on June 18, 1975, the Secretary said, "The United States will continue to oppose the efforts of any country or group of countries to impose their will on Asia by a preponderance of power or blackmail."

The Soviet Union voiced no objections in 1972 to the antihegemony clauses in either the Sino-American or Sino-Japanese joint statements. Moreover, the basic principles agreed to by Soviet Communist Party General Secretary Leonid Brezhnev and President Nixon in Moscow in May 1972 stated that "The U.S.A. and U.S.S.R. make no claims for themselves and would not recognize the claims of anyone else to any special rights or advantages in world affairs."

Since in 1972 all four countries concerned—the United States, China, the Soviet Union and Japan—were unanimous in renouncing and opposing hegemony, the principle can surely be treated as a universal one, aimed at no specific country. Even though China's main target may currently be the Soviet Union, China may also subconsciously see the United States and Japan as potential targets. Indeed, in light of Japan's past record of military expansionism, any indication that Japan is now dragging her feet on the hegemony issue could raise anti-Japanese suspicions in Asian countries other than China.

The Miki government places a high priority on the prompt conclusion of a mutually satisfactory treaty of peace and friendship between Japan and China. The word "peace" in this context signifies a perpetual "state of no war" between the two countries, a permanent reversal—as China sees it—of the unfortunate decades since the Sino-Japanese War of 1894–95. It will be a pact, not of specific obligations between two allies, but one which affirms the basic principles governing relations between the two countries.

History has demonstrated that the stability of Sino-Japanese relations is inseparable from the stability of Asia as a whole. Without complete reconciliation between Japan and China, there can be no real peace in Asia.

IV

This brings us back to Japanese-Soviet relations, and to Japan's desire for the return of the northern territories. The Soviet Union has long taken the position that a treaty of peace and friendship with

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Japan could be concluded promptly by shelving this issue. This position was reiterated on February 13, 1975, when Soviet Ambassador to Tokyo Oleg A. Troyanovsky delivered to Prime Minister Miki a personal message to that effect from General Secretary Brezhnev. Miki, however, rejected the Soviet leader's proposal, insisting that the territorial problem be settled first.

The background to the issue has been described previously in these pages.[2] Essentially it stems from the Yalta Agreement assigning "the Kuril Islands" to the Soviet Union—so that in the 1951 San Francisco Peace Treaty Japan renounced all claims to "the Kurils" without precisely defining their geography. Even at the San Francisco Conference the late Shigeru Yoshida, Japan's chief delegate, declared that Kunashiri and Etorofu Islands, the southernmost of the 20-island Kuril Archipelago, were "Japan's inherent territory," and had never been the subject of conflicting claims between Japan and Russia.

In a 1956 Japan-U.S.S.R. joint statement, it was agreed that, of the occupied islands, the Habomai Islands and Shikotan Island shall be handed over to Japan on the conclusion of a Japan-Soviet peace treaty. Technically, therefore, the only pending issue is the reversion of Kunashiri and Etorofu Islands.

However, the Soviet Union now maintains that Japan renounced her claims to all four areas in the San Francisco Treaty, based on the Yalta Agreement and Japan's acceptance of the Potsdam Declaration, which stipulated that Japan's territory be restricted to the four major islands plus adjacent small islands. Japan counters that the Soviet Union is not entitled to quote the San Francisco Treaty, which it did not sign; that Japan is not bound by territorial provisions in the Yalta Agreement; and that Soviet annexation of Kunashiri and Etorofu Islands, which are Japan's inherent territory, would be contrary to the Cairo Declaration, in which the wartime Allies disavowed any intention to expand their territory.

The issue is further complicated by a pending territorial issue between China and Japan—the disposition of the Senkaku Islands, a group of barren, uninhabited islets lying between Okinawa and Taiwan. During the period of U.S. administration of Okinawa, the Senkaku Islands were included in the Okinawa Area, as territory under Japan's latent sovereignty. Internationally, the island group had never been the subject of territorial dispute. In 1970, however, undersea petroleum deposits were found in the Senkakus. As a result, when

[2] See Elizabeth Pond, "Japan and Russia: The View from Tokyo," *Foreign Affairs,* October 1973, pp. 141–152.

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Okinawa reverted to Japanese administration in May 1972, both China and Taiwan disputed Japan's position that the Senkaku Islands, also, automatically reverted to Japanese sovereignty.

The conflict between China and Taiwan on this matter is of no concern to Japan, since in the Sino-Japanese joint statement of 1972 Japan acknowledged Taiwan as an "inseparable part" of China's territory. How Japan and China handle the Senkakus issue between them, however, is of considerable interest to the Soviet Union, not only as a possible precedent for the northern territories issue, but also in relation to Sino-Soviet territorial disputes along their 4,150-mile common border. In Asia, as in Europe, Soviet foreign policy has consistently sought to preserve the immediate postwar status quo on all territorial and boundary questions; an exception even for small islands may thus seem dangerous.

Since Japan and China are presumed to have already reached a tacit understanding to shelve the Senkakus issue, making no mention of it in the presently proposed treaty, the Soviet Union proposes this precedent be followed by Japan and the Soviet Union. Let us, the Soviets say, pigeonhole the northern territories issues in order to conclude a peace and friendship treaty.

The Japanese people see no parallels between the two territorial issues. The Senkaku Islands, they point out, are barren and uninhabited, valuable only for their oil potential. The northern territories, in contrast, were inhabited in prewar days by 16,500 Japanese fishermen. The difference is substantive and touches deep emotions of Japanese nationalism.

In other words, while the arguments on both sides of the northern territories issue are legalistic and technical, the dispute has profound political implications for both sides. A resolution is inconceivable except through an act of political statesmanship.

Prime Minister Miki is reaching for a solution, although he has so far indicated only the general direction of his thinking, which differs from that of his predecessors. In his administrative policy speech to the Diet in January 1975, he stressed "the historical world significance" of constructive cooperation over the next 30 years between Japan and the Soviet Union (including development of the vast untapped natural resources of Siberia), implying that this was far more important to both countries and the world than inflexible confrontation on the territorial dispute. In effect, Miki has appealed to Brezhnev to join him in a search for a solution when the two leaders meet at some future summit.

My own view is that the deadlock cannot be broken under present

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circumstances, given the adamant geopolitical stance of the Soviet leaders and the powerful nationalistic sentiments which the issue arouses among the Japanese people. I therefore believe Japan should conclude a peace and friendship treaty with the Soviet Union, leaving the matter of Kunashiri and Etorofu Islands frozen until the end of the present century. This proposal is contingent on agreement that the fishing grounds surrounding these islands will be reopened to Japanese fishermen.

This is a case, I am convinced, where the Japanese people can test their idealism, and their faith in humanity can be put to work to modify the international environment in the direction of accommodation and cooperation. If the atmosphere can be steadily improved and mutual confidence built up over the next 25 years, then Japan and the Soviet Union should be able to sit down together at the opening of the twenty-first century to deal amicably and constructively with the territorial problem. If not, then the prospect will be dim indeed for cooperation on considerably more important matters such as energy resources and food.

V

In his remarks to the National Press Club in Washington, D.C., on August 6, Prime Minister Miki offered three observations about the changed climate in Asia, following the ending of the war in Vietnam.

First, he noted "a sense of relief, widely shared in Asia . . . that peace has come at last to Southeast Asia." He suggested, "Now is a time for reconciliation," an opportunity for Southeast Asian nations, "on their own initiative, to work out the political terms for mutual accommodation, and for peaceful cooperation on common problems and concerns."

Second, he declared that "the aspirations of these peoples for both peace-building and modern nation-building would be unrealistic without continuing American—and Japanese—cooperation."

Third, he called for maintaining the present power balance in the Northwestern Pacific, through the "continued presence of American troops in the Republic of Korea as an important contribution to Korean peace and Asian stability," while at the same time every effort is made to promote dialogue between North and South Korea, leading to an easing of tensions and, ultimately, to "peaceful unification on the Korean Peninsula."

In my own view, the recent sudden turn of events in Southeast Asia has not seriously undermined the confidence of Asian peoples in the United States, or caused them to become disillusioned with or alien-

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ated from the United States. Asians are too prudent for this, and too realistic.

Governments of non-communist Asian countries have sensed for some time that South Vietnam would not be able to resist indefinitely the pressures of the North. Outwardly those non-communist governments supported America's military intervention in Vietnam, in large measure in order to preserve their cooperative relations with the United States. Privately, however, they regretted what they considered to be an unwise American course of action. Now that the United States has been relieved of its Vietnam burden, I believe Asian nations sense that an awkward part of their relationship with the United States has been removed, thus making their relations with the United States more clear-cut. This, at least, is the feeling that prevails among the Japanese.

The case for the Republic of Korea, however, has been different. South Korea dispatched an expeditionary force of nearly 50,000 troops to South Vietnam, together with other free Asian contingents, in a gesture of military cooperation with the United States. Along with America's young men, Korean youth died on the Vietnam battlefields in defense of South Vietnam against communism. The abandonment of South Vietnam by the United States must, therefore, have come as a severe shock to the South Koreans.

This does not mean, however, that South Korea will attempt to detach itself from the United States in disillusionment. Rather, I suspect it has felt itself more heavily dependent on America than before. The threat reportedly made by President Park Chung Hee that the Republic of Korea would go nuclear if the United States abandoned its nuclear defense of his country was, I should think, a way of emphasizing his continued expectations of the United States.

Currently the Republic of Korea is tormented by mounting fears that, taking advantage of the post-Vietnam situation, the Democratic People's Republic of Korea in the North may launch an attack on the South. Remembering the repressive actions of the North Koreans against the peoples of the South during the war 25 years ago, South Koreans are fiercely anti-communist. This fact has made it possible for the Park government to enforce its present freedom-curbing policy, although I do not believe that policy can endure for long among a vigorously independent people. This, however, is an internal problem for the people of South Korea.

Confrontation on the Korean Peninsula, however, is a great and continuing concern for Japan, her diplomacy and her domestic politics. There are 600,000 permanent Korean residents in Japan, who

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are split into pro-South and pro-North factions. Feuding between them is a continuing source of political embarrassment for the Japanese government, and an occasional cause of diplomatic difficulties. In addition, sectors of Japanese public opinion, including minorities within the ruling LDP, lean in their sympathies toward the North or the South.

Most significant, however, is the fact that Japan's own security is intimately related to peace and stability on the Korean Peninsula. Recognizing this, the Republic of Korea maintains it is in Japan's best interest to provide generous economic (but not military) support to South Korea.

Japan's economic cooperation with the Republic of Korea has been substantial and growing over the last decade. Cumulative Japanese private investment in South Korean fisheries, manufacturing and other economic development activities totaled more than $400 million as of March 31, 1974, and two-way trade exceeded $4.2 billion in calendar 1974. Yet the very magnitude of this economic cooperation has been a subject of criticism in both countries. In Japan the complaints include the charge that Japanese economic help tends to bolster President Park's dictatorial regime, and that it is being utilized selfishly by big business and corrupt politicians in both countries. In South Korea the principal complaint is that Japan-R.O.K. economic cooperation is not only contributing to political corruption, but is also leading to Japanese domination of the South Korean economy.

Nonetheless, and with due attention to these criticisms, the Japanese government will continue its close economic cooperation with the Republic of Korea.

The security question is even more delicate because of Japan's constitutional inhibitions as a nonmilitary state. The United States, which is committed by treaty to the defense of the Republic of Korea, understandably wants to know whether, in the event of another Korean war, Japan would permit U.S. military forces to operate directly from their bases in Japan. According to the military-bases agreement which accompanies the Japan-U.S. security treaty, military operations launched directly from U.S. bases in Japan are subject to "prior consultations."

In the joint statement issued by the late Prime Minister Eisaku Sato and President Nixon in November 1969, "The Prime Minister stated that the security of the Republic of Korea was essential to Japan's own security." And in a speech immediately following issuance of the joint statement, Sato declared that, in a prior consultation, the Japanese government would decide its attitude "promptly and

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positively." The two Sato statements are considered a "package," implying virtual assurance of an affirmative response if and when there is need for "prior consultations."

The Miki government has used different language, but the basic line is the same. In the joint announcement to the press issued August 6, 1975, by Miki and Ford, the two leaders "agreed that the security of the Republic of Korea is essential to the maintenance of peace on the Korean Peninsula, which in turn is necessary for the peace and security in East Asia, including Japan." It is easy in time of peace to indulge in abstract speculation whether Japan would say Yes or No in some future prior consultations, depending on the circumstances. In an actual crisis threatening South Korean territory, which lies only a stone's throw from Japan, it is inconceivable that the Japanese would hesitate or quibble.

Since a second Korean war would inevitably involve Japan, directly or otherwise, the ultimate challenge to Japanese diplomacy is to influence events away from war and toward a stable peace on the whole of the Korean Peninsula. Peaceful reunification of the two Koreas, the common aspiration of all Koreans, is the ideal, however remote it may seem. The specific processes leading to peaceful reunification, however, are essentially the concern of South and North Korea, and should not be complicated by the intervention of a third party. Even so, the North and South should be encouraged to expand the scope of their contacts and dialogue, paving the way at least for peaceful coexistence.

Japanese diplomacy can and should help create an international environment which will make this goal a more realistic possibility. While continuing its economic cooperation with the Republic of Korea, Japan will seek closer contact with the Democratic People's Republic of Korea as well, in the fields of trade, cultural cooperation and visitor exchanges. Japan should also explore the possibilities for the reciprocal opening with North Korea of trade offices or consulates, while simultaneously seeking South Korea's understanding for such efforts.

The Miki government would welcome the simultaneous entry of North and South Korea into the United Nations, not as a device for freezing the status of the "two Koreas," but to help expand the venue of dialogue for their eventual reunification, while reducing the chances of an armed clash during the interval.

On a broader front, it would be helpful for the four major powers concerned—Japan, the United States, China and the Soviet Union—to hold bilateral or multilateral talks on the forms of international

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cooperation which would help stabilize the situation on the Korean Peninsula. To this end, I believe Japan and the United States should make efforts at reconcilation with North Korea, while China and the Soviet Union make parallel efforts in their relations with the South.

Finally, however, the current North-South equilibrium must be maintained throughout the period that these initiatives for cooperation and stabilization are in process. This means, of course, maintaining the deterrent of the U.S. military presence in South Korea. As Miki commented in Washington in August, "We trust there will be no sudden change in this U.S. policy."

VI

In its time-compressed race toward industrialization and modernization over the past century or so, and especially in the last half-dozen years, the Japanese people have learned unforgettably the lessons of their interdependence with the global economy. As the only non-Western nation so far to have achieved the status of one of the world's major economic powers, Japan has been an appreciative beneficiary of the postwar international economic system.

This system, based on fair and widening access by all nations to each other's markets, goods and raw materials, now faces a range of challenges. The more transitory include the recent spate of worldwide inflation and recession, which may at last be responding to various national and multilateral remedies, and the global energy crisis, for which solutions are still being sought. The deeper challenges of national and regional autarky, protectionism, cartelism, and the politicization of both import and export trade are threats to the basic structure of the world economy.

To some extent these challenges to a market-based world economic order are ideologically motivated. But the deeper complaint is the uneven distribution of the world's wealth, a situation in which more than half the world's population lives in poverty. Until these disparities are substantially corrected, there can be no stable world peace.

Japan's own experience demonstrates, as Prime Minister Miki pointed out recently, that "Poverty will be eliminated only when the developing countries are able to educate and train their people and acquire the capital, organization and productive capacity to generate new wealth as self-reliant participants in an interdependent and cooperating world economy."

This means strengthening and improving, rather than abandoning, the existing world economic structure. Recognizing this, the Jap-

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anese people over the past decade have liberalized their own economy and expanded their overseas aid and private investment in the developing economies at a faster rate than any other nation on earth. Because of their economic vulnerabilities, and development experience, the Japanese have become one of the world's most active proponents of global economic interdependence.

What remains to be demonstrated is whether the Japanese are prepared to apply the same principle of interdependence to the political sphere, and to engage their nation as actively in creative efforts to help restructure a more stable and peaceful world political order.

Although they have been remarkably successful on the world economic scene, the Japanese people still are highly reticent about taking initiatives in world politics. This is to an extent a legacy of defeat and occupation, of extended dependence on the United States for both economic prosperity and national security, and of the sense of impotence which flows from the postwar constitutional decision to remain perpetually a nonmilitary nation.

Yet the unarmed neutrality advocated by the largest opposition party is at best a naïve isolationism, contrary in spirit to the principle of interdependence which Japan embraces in all other areas of her foreign policy. At the other end of Japan's political spectrum, the hawkish LDP minority which urges substantial Japanese rearmament (and perhaps contemplates going nuclear if the international situation deteriorates further) is at odds with the realities of small, crowded, island Japan's strategic vulnerabilities as neighbor to the world's vastest and most populous nuclear powers.

Bridging the gap between the idealism and sense of impotence of the Japanese people and the realities of contemporary global politics is, in the final analysis, a problem of pragmatic political self-education. The political ideals of the Japanese people need to be tested against the realities of such concrete problems as concluding peace and friendship treaties with China and the Soviet Union, promoting stabilization of the Korean Peninsula, fostering both nation-building and peace-building in Southeast Asia, and giving active voice in world councils to the Japanese people's convictions on nuclear and general disarmament and the strengthening of international conciliating and peace-making institutions.

This is an agenda without precedent in world history, with the possible exception of the remarkably idealistic role which a relatively unarmed United States performed in the late nineteenth- and early twentieth-century world, which was dominated by European balance-of-power politics. Yet it is probably the only role Japan can

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play, under present circumstances, which will be consistent both with the political ideals and inhibitions of the Japanese people and with the uncertain but hopefully still malleable structures of a global community seeking to reify its interdependence.

Politics in a democracy is always the art of the possible. In the complex and multiparty Japanese democracy, with its powerful cultural tradition of consensus, the possible in recent decades has been that diplomacy which evoked the least strong domestic or international opposition. Times are changing internationally, and domestically there is now at least a chance for the emergence of a more activist Japanese diplomacy in those political and economic areas where Japan can influence the trend of history in the directions her people yearn for.

I believe there are several specific areas where Japan's voice can be both idealistic and practical.

One is on the energy front, where resource-poor Japan is clearly the most vulnerable of all the world's advanced industrialized economies, importing nearly 100 percent of her petroleum. Here I propose that Japan invite the participation of leading energy-producing and energy-consuming nations to launch, in the common global interest, a multilateral crash program—a pooling of technology and capital—for the purpose of speeding the development of alternative sources of energy. It is in the common interest that depletable energy resources, such as petroleum, be conserved for more exotic uses such as petrochemicals and fertilizers. And it is vital to future generations that ample energy be available to fuel economic plenty for all mankind.

Another area is the control and reduction of armaments, which are in themselves a threat to the peace. I believe Japan, as a major unarmed state, has the moral authority to call on the five great nuclear powers—the United States, the Soviet Union, China, Great Britain and France—to convene negotiations for the mutual reduction and control of nuclear armaments, with proper attention to safeguarding during the transition both the nuclear power balance and the security of non-nuclear states.

For Japan's part, although she is capable of going nuclear, an overwhelming majority of her people are determined not to do so. Delays in ratifying the Nuclear Nonproliferation Treaty have been due solely to domestic partisan politics. Nor will Japan rearm, a step that would unquestionably be met with apprehension by her Asian neighbors. The Miki government intends to hold Japan's defense capacity to the maximum peacetime levels contemplated in the current buildup plan—180,000 land troops, 250,000–280,000 tons of naval craft, and

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800 military aircraft. The defense budget will continue to be limited to less than one percent of GNP, and any further buildup will not be quantitative, but qualitative.

Finally, I suggest that Japan has an obligation to take a leadership role in promoting intercultural education, understanding and respect as the very foundations for the stable and peaceful world community Japan's idealism envisages. Few nations have faced greater obstacles of language and other cultural barriers to communication with the rest of the world. None has profited more from the generous efforts of others to penetrate those barriers. This year the headquarters of the U.N. University was established in Tokyo, an honor which must be reciprocated by the people of Japan through expanded public and private support to worldwide exchanges of persons, ideas and information.

The trust the people of Japan chose in 1947 to place "in the justice and faith of the peace-loving peoples of the world" is ready to be translated into a new realism in Japan's diplomacy. I am confident that this generation of Japanese is equal to the challenge.

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WOMEN OF THE WORLD: REPORT FROM MEXICO CITY

By Jennifer Seymour Whitaker

NOT since Adam and Eve ate the apple has this earth been faced with a social issue as complex as that which drew the delegates to the International Women's Year Conference in Mexico City last June. The delegates, who were mostly women, came as representatives of their governments, which were mostly men, to talk about profound alterations in the balance of everything between the two sexes.

They did not, however, look like revolutionaries: Imelda Marcos of the Philippines and her corps of silken butterflies; the U.S. delegation, carefully dressed in styles ranging from Lord & Taylor to Peck & Peck; the Africans in their richly woven cloths and elaborately wrapped turbans—certainly not the solid Byelorussians, with their knotted hair and flower prints. Nor were they united behind a single ideology: they were rather a microcosm of the differences which confront the women's movement as it gains international legitimacy. And, in fact, the women's revolution was immediately faced by what seemed like a counterrevolution—the delegates from the developing countries appeared for a time so intent on the redistribution of resources between rich and poor that the redistribution of power between men and women seemed for them a competing priority.

That this threat to the liberation effort came from the oppressed was disarming. Both the women and the poor are trying to change the status quo, either by altering the existing power structure or by carving out a more advantageous place for themselves within it. For Western women, however, debate over any issue other than those directly affecting women could only be construed as wasteful and frustrating. They wondered whether the Third World position did not reflect a disdain or hostility by those countries and their male-dominated governments for the goals of the conference, an attempt to distract the women from how much they had in common. "The International Women's Year will have been another mockery," said France's Françoise Giroux, "if the results are subtly diverted toward either national or international political causes, no matter how pressing, respectable or noble their aims might be."

A careful assessment must be made of these divergent positions. That political conflicts emerged between rich and poor, black and white, Arab and Israeli, signified that the event was taking place in the real world, not as an academic exercise or an oversized coffee-klatch. Women's issues remained paramount and a good deal of common ground was established there. The link between poor women and the world's poor was also felt and acknowledged by Westerners—perhaps in a new way—in discussing their own oppression.

And yet the different perspectives the women revealed at the conference were highly significant. That both the conflict and the communication flowed almost exclusively between the Westerners and those from developing countries was striking. Regarding their own revolutions as complete, delegates from the communist countries complacently abstained from the revolutions of both women and the poor —except for an enthusiastic endorsement of all attacks on neocolonialism, imperialism and similar evils.

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As for the Western women and those from the Third World, the wide material and historical gaps between them were apparent from the outset. The consequent divergences in their attitudes toward the movement for women's equality are both ideological and psychological. In the most general terms, these two groups differ on the extent to which they cast the women's struggle as part of either an economic or a social revolution, and their feelings clash most obviously on the central question of conflict with men.

II

The Western women's movement itself encompasses a broad range of positions on these issues. But on the whole Western feminists see women's struggle for equality as distinct from strife between the poor and the rich and other "political" altercations, and they accept the inevitability of some conflict between men and women in the course of this struggle.

Western women are often more openly bitter about their situation, and feel that this is justified. As Betty Friedan explained to the unofficial conference or Tribune: "There is a reason for rage in women. Women have the right to it when they are discriminated against. . . . For centuries they have been taking it out in self-hatred." Instead this anger should be expressed, as it was most eloquently in Mexico City by Australia's Elizabeth Reid. Ms. Reid didn't mince words in identifying the problem: "All women," she said, "are subject to colonization by mute consent." She also administered a notable dressing down to the (male-dominated) press, contrasting the headlines of the Australian papers on the departure of her delegation for Mexico City ("Women of the World Converge") with the more serious treatment of last year's Bucharest meeting on population, and quoting a British weekly as headlining its report on the conference: "The Hum of Thousands of Vibrators."

This sexual conflict was dramatized by a group of American women, attending the Tribune sessions, during a Saturday-morning confrontation with the official U.S. delegation at the Embassy. Daniel Parker, the Administrator of AID and co-leader of the delegation, was roundly shouted down before his hurried departure for a plane back to Washington. Several other male delegates fared only slightly better. Finally, Carl Hemmer of AID identified himself as a population expert and was not permitted very much more in the way of a statement before being asked whether he himself had had a vasectomy—he brought down the house by replying immediately and simply in the affirmative.

The Western woman's ultimate skepticism about man's intentions regarding *her* liberation is contained in the archetypal anecdote retold by Françoise Giroux: Women have fought and died for countless liberation movements in the past, only to find themselves "making the coffee," when it was all over. Therefore a woman's feminist commitment often exists in an ideological vacuum—as far as classical political movements are concerned.

Nevertheless, most Western women have undoubtedly absorbed at least the initial layer of a feminist ideology. At its most general, this is simply a new perspective on their own experience, edged into them during this past decade: consciousness of how their own attitudes and those of the men in their lives often trap them into a subordinate position; and of the need to risk assertiveness with men and to cultivate bonds of cooperation and trust with women. Beyond this, liberation is for many largely a matter of women's integration into the existing power structure. Much further along the feminist spectrum, however, the outlines of a truly radical

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position vis-à-vis contemporary society are evident.

Gloria Steinem overwhelmed a group of Third World journalists in Mexico City with the full force of this ideology:

> The roots of sexual discrimination are deeply intertwined with those of racial discrimination and indeed all forms of oppression. Their common basis is in caste systems, which divide people up according to minor physical differences. The white supremacist system perpetuates racism, while women's oppression stems from the patriarchal organization of society. Both seek to justify a rigid hierarchical structure, in which power means control of the lives of others. Feminism seeks to redefine "power." What women want is autonomy. What we want is control over our own lives—not to exert power over others' lives. The essence of feminism is choice—for women and men.

In the scope of its goals and its conscious attempt to alter permanently the way people think about themselves and the world, this radical definition of the struggle for women's equality finds its closest contemporary parallel in China's cultural revolution.

This was heady stuff for the Third World women, who are not accustomed to hearing the rhetoric of political revolution—"exploitation," "oppression," "hegemony"—applied to women's situation. For their part, many of the Westerners at the conference appeared to define "politics" as the conflicts (such as the Middle East imbroglio) currently preoccupying the male power structure, and consequently resisted their intrusion into the discussion. Thus their frustration when women's liberation was cast as just another political gambit of the Western camp.

The almost 1,500 American women at the Tribune were sharply jolted when they found themselves suddenly thrust into an adversary position by a group of Latin Americans there. They had, they thought, been working together with the other women at the Tribune (who were mostly Mexicans and Latin Americans) to move the official conference toward a stronger Plan of Action. Under the leadership of Betty Friedan, the women had enthusiastically passed amendments to the U.N. plan and marched them to the conference site in the Mexican Foreign Ministry. Therefore their shock was considerable when shortly thereafter groups of Latin American women seized the platform to protest against "U.S. imperialism" —and implicitly against North American domination of the proceedings. Many of the same Latin American women who had participated in the feminist action of the preceding days were unmistakably excited; portly, well-coiffed matrons clapped and cheered the radical Latinas (who were smartly garbed in jeans, boots, and an occasional rakish campaign hat).

As for the U.S. group, the realization that nationalism could create stronger resonances in these other women than feminism came as a shock. Painfully, they found themselves representing a capitalist power structure from which many of them certainly had felt detached. They also caught a reflected image of themselves as particularly privileged beings. In relation to the Third World women they were relatively autonomous—free to live independently of men without irreparable harm to their reputations. "Choice" was easier for them than for the others.

III

Mexico's President Luis Echeverria sensitively identified the differences between the women of the industrialized countries and those of the poor countries by saying that while the former "are the dependent subjects of a way of life in the develop-

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ment of which they have no active part," the latter "are the proletarians of the proletariat." And the Third World women, despite the enormous variety in their social and cultural backgrounds, look at the West from the perspective of their own nations' poverty. Despite their status as a privileged elite within their own countries, as the poor of the world they demand redistribution.

By and large, women from the poorer countries view the world from the vantage point of an ideology combining elements of Fabian socialism, Marxism, and, most importantly, anticolonialism. The educated class to which they belong has in recent years become increasingly imbued with this evolving Third World ideology. Thus they are at least on one level anti-Western, reacting against the former colonial powers, but particularly against the United States, as the preeminent capitalist power and recent massive antagonist of small, poor, non-white North Vietnam. Like the men in their countries, they are determined to change the current imbalance in the economic and cultural relationship between the industrialized nations and themselves. Therefore they supported quite automatically the introduction of various attendant political issues constituting a litany of oppressions against the Third World (apartheid, foreign domination, Zionism, etc.). They were also enthusiastic proponents of their governments' drive for a redistribution of wealth between rich and poor: women's development was seen as inextricable from economic development.

Although well-off themselves, these women can't help but be aware of the problems of the poor, and of poor women, in their own societies—even if in the abstract—because there are so many. Some delegates, like those from Africa in particular, undoubtedly have relatives who live as illiterate peasants in the countryside. Others, like the Latin Americans, are detached by class and economic barriers. But they cannot move any distance from their homes without being presented at least visually with their poor—much of Mexico City, for example, is picturesque and gracious, but it is ringed with *favelas*, or slums, which even creep into the cracks of the center of the city.

Third World women also stressed the problems of rural rather than urban women; they are, in Mao's formulation, the "countryside" of the world, and the great bulk of their female labor force is in agriculture (as much as 90 percent in some countries in Africa). Prime Minister Sirimave Bandaranaike of Sri Lanka clearly indicated the priority in her Mexico City speech:

> The modern sectors [of the developing countries] in their own way are little replicas of Western societies. The problems of equality affecting women in this small sector are not the principal issue. The crucial problems really lie in the vast rural hinterlands of our countries. . . . It is in the rural areas that the problems of poverty and underdevelopment are most acute. It is in these areas that the bulk of the population in the developing nations have to find a meaning or fulfillment in life.

The disproportionately enormous burdens of the poor peasant woman were graphically represented by an African and an Asian woman who appeared on a panel on aid policies with Senator Charles Percy. They described the workday of the rural women, many of whom must walk miles fetching water and gathering firewood, as well as spending hours grinding millet or pounding cassava—after working a full day in the fields. And yet, they pointed out, aid programs continue to send tractors and bulldozers and other equipment which is often unusable in these rural areas, and to neglect simple, domestic, labor-saving devices such as

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grinding mills and pumps, which would release large amounts of female work-hours for more profitable endeavors. Although women often do most of the farm work, men are given the training in new agricultural technologies—men who frequently are not even involved in farming.

In this situation, the liberation of women must be highly dependent on material things. Therefore the Third World delegates pushed for the strengthening of the conference's major substantive document, the Plan of Action, particularly in the areas of health care, education, and rural development.

It is striking, nonetheless, how far the ideas of Western feminism seem to have entered the consciousness of the Third World women. Like most things Western, the women's movement is the object of fascinated scrutiny in the Third World press. The names "Betty Friedan," "Gloria Steinem," and "Germaine Greer" are not unknown in Ghana, Malaysia, El Salvador. From the level of awareness of women at the Conference (admittedly not a typical sample but certainly opinion-makers in their own countries), it would seem that the goals of sharing in public power and in domestic responsibility were widely appreciated. The Third World delegates clearly felt many of the same pressures, and oppressions, as their Western sisters: many were professional women, achievers in their own societies, and in private conversation expressed strong resentment at still not being taken seriously by their male colleagues, at battling to survive outside male networks of information and influence, at having to take full responsibility for their homes and families in addition to their careers.

Repeatedly, however, they accused Western women of trying to provoke a confrontation with men, and reiterated the idea that men and women must share in the liberation struggle as "partners." A desire not to disrupt male-female relationships in a radical or obvious fashion was implicit in their attitude. Imelda Marcos gained considerable applause for her quintessential defense of the sexual status quo in her plenary speech. "My own people," she said, "have another story. It is said that the birth of humanity came about when a divine whim split a single bamboo and from it there sprang forth a woman and a man, and the woman was called . . . beautiful and the man was called . . . strong."

It must be recognized that in the Third World abundant domestic help makes the lives of the professional women much easier than those of almost all Western wives and mothers who work full-time. The need to engage men on the question of domestic sharing is consequently less crucial. But more basically, the reluctance to upset the traditional sexual order is to a real extent a result of both their own and their countries' insecurity. Because their nation's problems (if not their own) approach those of sheer survival, many Third World women share with their men a sense of common struggle. Ms. Bandaranaike described what she saw as the relative unimportance of sexual equality for the poor majority of the world:

> That world, far from being able to afford the luxury of contribution or confrontation, as the case may be, between two breadwinners in a family, has to cope with the absence of even a single breadwinner. That world has no discrimination because it is a fraternity—a sisterhood—in poverty and privation.

Beyond this, the political order is often so fragile that the women of Third-World countries hesitate to place additional strains on the social structure. In Mexico City they insisted above all on the importance of the family. And, further, they sought to safeguard the rights of paternity, inserting into every provision on family planning the right of "couples" (as well as "individuals") to decide on the

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numbers of their children. They also accused the Westerners of denigrating woman's maternal role. "It is no solution to our problems to tell women not to have children," declared Guyana's Minister of Information Shirley Field-Ridley. "Third World countries must not have that decision thrust upon them by those for whom their population is an embarrassment in terms of the aid they want."

The Third World women showed much more anxiety than the Westerners about the effects of liberation on their marriages. They generally find it very difficult outside of marriage to live respectably and to earn their living independently. Therefore they don't have as much leeway as Western women to act on the anger and disaffection they may feel. In this respect, their sexual moderation would seem on one level to be a matter of tactics and tone.

When an ad hoc feminist caucus used the tactic (familiar to American consciousness-raising groups) of excluding men, Third World women were outraged. "Female chauvinism is the last thing we want," declared an Indian journalist. "This would only lead to the isolation of feminists; we must talk together." And inflammatory rhetoric is taboo for sexual politics: despite the clustering "isms" throughout the conference documents, the word "sexism" was firmly excluded.

Finally, there is subtle but significant resistance to feminism as a new form of cultural imperialism. Gloria Steinem's speech left a number of women distrustful of the clean sweep of her logic. "She claims that she does not want to choose for us," they said, "but she has it so well figured out that it seems to leave no alternatives; her speech was coercive." And an Ethiopian journalist wondered if the women's movement were not another Western ploy to divide and conquer the developing world, by setting its men and women at odds.

IV

The conflict between the capitalist and developing countries, as well as their own solidarity with the developing world, is the major preoccupation of the communist countries at the United Nations these days—and the subject of women did not alter this pattern. For a variety of reasons, the Soviets displayed an attitude toward women's issues which seemed to fluctuate between indifference and impatience. At her press conference, the popular head of their delegation, cosmonaut Valentina Tereshkova, called such questions "secondary issues," asserting that although a minority at the conference insisted on taking up much time with these questions, the majority were interested in concentrating on imperialism, apartheid, racism, colonialism, and neocolonialism. The implication was that their lack of interest results from the satisfactory solution of the problems of Soviet women. As Ms. Tereshkova declared: "The victory of the October Revolution of 1917, the liquidation of exploitation of man by man, development of society on a socialist basis liberated the working masses, including women, from all forms of oppression, unemployment, crises and inflation." Consequently, feminism has no legitimate place in their societal order.

In the Soviet Union, the massive scale of wartime and postwar manpower shortages made the economic integration of women a necessity, and both the Soviets and East Europeans have undeniably encouraged and facilitated the movement of women into the labor force and the professions. In relation to the rest of the world their record here is impressive: over 70 percent of Soviet doctors are women; over 40 percent of all administrators and specialists in industry; over a third of all engineers. In Russia women have attained numerical equality with men

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in professional employment: 52 percent of all employed college-trained people are women, corresponding to their share in the population. The Western pattern of the male professional married to a housewife is truly unusual there.

And governments in the Soviet Union and Eastern Europe have gone furthest in providing maternity benefits and social services for working mothers. In Hungary, for example, in addition to five months of maternity leave, a woman is entitled to take three full years off with a government allowance—and at the end of this time she must be given her job back if she wants it. Nurseries and extended-time schooling are widely available.

But while the communist societies have tried to ultilize women economically, in none have women gained a measure of political or bureaucratic power proportionate to their numbers. Women are still far from attaining equality with men. Although they constitute a majority of the specialized labor force, their participation decreases sharply as they reach the upper levels. Only six percent of heads of industrial enterprises in the Soviet Union are women. Their representation in the Communist Party of the Soviet Union is far smaller than in the work force—reportedly about 22 percent. The number reaching the Party's Central Committee has never been higher than four percent and only one woman has ever been a member of the Presidium, the inner circle which runs the Soviet Union.

Beyond the undoubted effect of continuing male prejudice, Soviet women's failure to achieve equal power is closely related to their domestic serfdom. In their homes, women still handle almost all the cooking, cleaning, and child-care, with very little help from their husbands. Housing is cramped, labor-saving devices are scarce, and shopping is a lengthy daily ordeal that symbolically resembles the Third World woman's trek for water and wood. The lack of conveniences of course reflects the government's emphasis on heavy industry over consumer goods. Women, in effect, have borne the brunt of the Soviet drive to superpower status. As a result of her domestic burden woman's productivity on the job is not as great as man's, and her advancement is slower. She makes an excellent dray horse but wins very few races. She is, in sum, an extremely useful economic mechanism.

Things are changing some with the less tradition-bound younger generation, but neither the women themselves nor the governments seem to have given much attention to changing the attitudes of men. A male member of the Soviet delegation offered this particularly happy view of women's double work load, which he seemed to see as an especially ingenious social invention: "No one in our country says it is an easy thing for a woman to combine her work and bringing up children; but we recognize that this dual role is a very honorable one for women. Our state has taken measures to help women in housework and family as well as remaining beautiful and slim." A Romanian woman put it another way: "We are too tired to fight about the division of labor."

Women's lives should be made easier materially by current government programs to increase the output of consumer goods. But sustained efforts by women to improve their own position would not seem to be in the cards. Most basically, the idea that the Revolution has solved all these problems, that women have already been given opportunities to rise and they have risen, precludes dissidence on the part of women as well as anyone else. There can be no room in these socially conservative societies for a movement starting from below, with a thrust of its own and with incalculable effects.

In fact, women in the Soviet Union may be moving in an opposite direction

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from Western feminists in their quest for freedom. Reportedly women there are increasingly emphasizing the liberation of their *femininity*. Because they have been denied leisure while doing two jobs, they now want pleasure and beauty; they want to dress up and be courted, perhaps to emphasize motherhood and domestic life. This route is an acceptable one to the state. (As the man said, the state wants the women to stay "beautiful and slim.") Currently, the Soviets are working to increase legislation protecting women from long hours, night work, heavy manual labor—exactly the sort of protective restrictions that Western feminists are trying to get rid of. Furthermore, the trend toward femininity should be reinforced by the current Soviet policy of increasing the population—with the consequent emphasis on the virtues of "motherhood" that has accompanied it.

v

Outside the communist world, women's feelings about their situation are expressed more openly, and these vary according to the religious, familial, legal and material structures which demarcate their lives. The Westerners are of course the angriest. They always have been. They have led the way. Their thesis, posed against the antithesis of male power, resulted in the first part of the twentieth century in "Emancipation"—which was then passed along to Asian women and to Africans at their independence. Western women's anger seems directly related to their inability to exploit this emancipation further. It is striking—and was strikingly evident at the conference—that despite their years of education, economic security and relatively unfettered lives, Western women have come no closer to a real sharing in public power and participation than many of their less advantaged sisters. Ms. Marcos' description of the Philippine delegation, "headed by a woman member of the cabinet," and including "a woman who is a justice of the Supreme Court, an ambassador and a distinguished writer," might give Americans pause.

The institutions and attitudes which have held Western women back are, as everywhere, complex: Roman law, Christian sexual guilt and the ideal of woman as a pure and passive procreator, as well as the idea of the family as the sole source of succor. In addition, technological specialization consigns women to the kitchen and the nursery—and the only alternative often is trading places with her husband on the assembly line. The close relationship between money and status in our society has made the acquisition of wealth a masculine priority; women's exclusion from the realm of business and finance is a corollary. Moreover, the West's wealth and property has decreased social flexibility—empires must be guarded.

Looking at the developing world, one can begin to understand more clearly the role which wealth and property play at different stages. In India, for example, Hinduism resulted in a tightly fettered and secluded life for upper-class women, a life within the strict confines of the home, and of motherhood. The poor, however, could not afford these restrictions, for women had to help with subsistence farming and petty trading, as well as feeding their families. This situation certainly prevails today in most of Africa and among the Indians of Latin America. The poor cannot afford the dubious luxury of a feminine mystique.

In Asia, the Buddhist societies of Burma, Thailand, Laos and Cambodia have offered women a relatively greater measure of economic autonomy and power. According to Buddhism, man's spiritual supremacy is established, but beyond that, an ideal of harmony—and some equality—prevails in the secular realm. Indeed, women in these societies have long been active and successful even at the upper

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levels of business and land ownership. This power has rarely extended into politics, however, and it seems likely that man's spiritual precedence translates easily into preeminence in the transcendent sphere of secular life.

The religion which has notoriously curbed women, especially in the Middle East, is of course Islam. The religion of Mohammed, with its male domination and restrictive protection for women, is especially resistant to change in general and changing the position of women in particular. Like Christianity it sets forth an all-embracing theocratic ideal which involves close monitoring of the details of secular life, and has a history of violent persecution of heretics and unbelievers. While oil may smooth the way for women's emergence from purdah, the obstacles embodied in these theocratic states still appear formidable. In at least one area, however, the Muslim woman is freer than women in Christian cultures. There is no societally induced mystique of sentimental love binding the wife in service to the husband. The self-interest on the part of both partners is overt.

As for mystiques, African women seem, on the surface at any rate, to be least hampered by ideals of femininity, perhaps because their religions, like their economic structures, remained least stratified and elaborated with ideologies about the relationship of men and women. The Latin American women, on the other hand, are probably the most encumbered in this respect, combining a repressive Christianity with a history of violence; in their world, male honor and aggression and female chastity and passivity were cast as two sides of a coin. The message to the conference of Joaquin Balaguer, President of the Dominican Republic, seemed intended to express strong support for women's equality, but its language conveys the flavor of the society: "the influence of the delicate nature of the feminine soul on all aspects of man's public and private life must of necessity initiate a new stage on the history of mankind."

These social forces can be assumed to be overriding for a majority of the women who were not at the conference—that is, most of the women of the world. Since the conference's Plan of Action must (as with most U.N. documents) be largely hortatory, its probable effectiveness remains an open question. But the event undoubtedly has made a difference. It has raised to the level of official respectability social issues which have always and in every society been minimized. It is notable, for example, that the Saudis felt constrained to come, and to release a statement justifying the continuing use of the veil and explaining how women are able to matriculate in seclusion at Riyadh University thanks to closed-circuit TV.

Having aired their differences, the women also found a real congruence in their needs. The final Declaration, written entirely by the developing countries, contained a number of undeniably feminist measures. That the conference took place at all indicates a change in the world, which will work in behalf of both the women and the poor in their parallel demands for equity and equality. Explicitly, Mexico's President Echeverria declared: "The struggle for development and for full equality of opportunities for women entails complementary tasks. If the status of women is to be improved, social transformations in both the internal and the international order will have to be carried out, but these transformations, in turn, require increasing participation by women in all fields of activity." Congresswoman Bella Abzug put it more succinctly: "Women cannot succeed if we accept the status quo." If most of the governments represented had given this serious thought, one wonders if they would so blithely have sent their women off to Mexico City.

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RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Elizabeth H. Bryant

General: Political and Legal

Robert Gilpin

A STUDY OF FUTURE WORLDS. By Richard A. Falk. New York: Free Press, 1975, 506 pp. $15.00 (Paper, $6.95).

FOOTSTEPS INTO THE FUTURE: DIAGNOSIS OF THE PRESENT WORLD AND A DESIGN FOR AN ALTERNATIVE. By Rajni Kothari. New York: Free Press, 1975, 173 pp. $8.95 (Paper, $3.95).

ON THE CREATION OF A JUST WORLD ORDER: PREFERRED WORLDS FOR THE 1990's. Edited by Saul H. Mendlovitz. New York: Free Press, 1975, 302 pp. $9.95.

These three volumes are the first fruits of the ambitious World Order Models Project of the Institute for World Order, ably orchestrated by Mendlovitz. Consciously highly normative, they present both a diagnosis of the present human condition and proposals for the radical transformation of global society. Falk's comprehensive and highly original study provides schemas of world order and a strategy of transformation. Kothari, a leading Indian political scientist, stresses Third World demands for autonomy and equality. Mendlovitz's volume is a collection of essays by distinguished project participants here and abroad. An important and obviously controversial series.

THE NEW LIBERTY: SURVIVAL AND JUSTICE IN A CHANGING WORLD. THE REITH LECTURES. By Ralf Dahrendorf. Stanford: Stanford University Press, 1975, 102 pp. $5.95.

The distinguished sociologist and former EEC Commissioner examines the condition of advanced industrial society and proposes a reorientation of social values, from economic growth to improving the quality of life. The 1974 Lectures.

CHANGE WITHOUT WAR: THE SHIFTING STRUCTURES OF WORLD POWER. THE B.B.C. REITH LECTURES 1973. By Alastair Buchan. New York: St. Martin, 1975, 112 pp. $8.95.

Addressing principally his fellow Europeans, Buchan presents an intelligent appraisal of the dramatic, and peaceful, changes of the recent past, and his thoughts on the foreseeable problems of the future. Americans, including Secretary Kissinger, could read this volume with considerable profit.

NEW DIMENSIONS OF WORLD POLITICS. Edited by Geoffrey L. Goodwin and Andrew Linklater. New York: Halsted Press, 1975, 127 pp. $11.00.

This symposium volume provides a good survey of new scientific and economic developments and transnational factors influencing world politics, and of available theoretical perspectives.

NOTE—BY SPECIAL ARRANGEMENT WITH THE MCGRAW-HILL BOOKSTORE, READERS OF FOREIGN AFFAIRS MAY OBTAIN NEARLY ANY BOOK PUBLISHED IN THE UNITED STATES AT THE PUBLISHER'S REGULAR LIST PRICE. WITHIN THE U.S., PLEASE ADD 45¢ PER BOOK FOR POSTAGE PLUS APPROPRIATE SALES TAX. IF OUTSIDE, PLEASE ADD $1.50 PER BOOK FOR POSTAGE AND 95¢ PER ORDER FOR REGISTRATION. SEND ORDERS WITH CHECK OR MONEY ORDER TO: THE MCGRAW-HILL BOOKSTORE, 1221 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10020.

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ON WAR: POLITICAL VIOLENCE IN THE INTERNATIONAL SYSTEM. By Manus I. Midlarsky. New York: Free Press, 1975, 229 pp. $14.95.

Drawing upon extensive empirical data for the period 1815–1945, the author sets forth an analysis of the causes of and factors affecting both domestic and international violence, and offers some tentative solutions.

THE SOCIALIST IDEA: A REAPPRAISAL. Edited by Leszek Kolakowski and Stuart Hampshire. New York: Basic Books, 1975, 272 pp. $10.00.

The product of a symposium held in the U.K. in 1973, the essays in this volume are sympathetic but generally objective in considering the question: Are Marx and Marxism still relevant for the contemporary world?

THE FATE OF THE ATLANTIC COMMUNITY. By Elliot R. Goodman. New York: Praeger (for the Atlantic Council of the U.S.), 1975, 583 pp. $27.50. (Paper, Academic Marketplace, Lavallette, New Jersey, $5.95.)

An encyclopedic examination of transatlantic relations and problems, from an "Atlanticist" and anti-Gaullist position.

THE SECOND WORLD WAR: AN ILLUSTRATED HISTORY. By A. J. P. Taylor. New York: Putnam, 1975, 234 pp. $17.50.

Like his earlier (1963) volume on World War I, this is an exceptionally readable history, studded with Taylor's usual original and controversial interpretations.

MULTILATERAL SANCTIONS IN INTERNATIONAL LAW: A COMPARATIVE ANALYSIS. By C. Lloyd Brown-John. New York: Praeger, 1975, 426 pp. $25.00.

Based on three case studies—the League and Ethiopia, the OAS and the Dominican Republic, and the U.N. and Rhodesia—the author, a Canadian scholar, seeks to develop a theory about the usefulness of economic sanctions.

THE POLITICAL GEOGRAPHY OF THE OCEANS. By J. R. V. Prescott. New York: Halsted Press, 1975, 247 pp. $13.95.

A solid exposition of the geographical factors and problems associated with the extension of state sovereignty over the seas and the seabed.

General: Military, Technological and Scientific

Andrew J. Pierre

A WORLD DESTROYED: THE ATOMIC BOMB AND THE GRAND ALLIANCE. By Martin J. Sherwin. New York: Knopf, 1975, 352 pp. $10.00.

Although this history of atomic diplomacy during World War II and the decision to use the bomb covers well-trodden ground, the author brings newly available documents and elegant craftsmanship to a ceaselessly fascinating story. It is also a convincing work of "counter-revisionism," disputing the views of Alperovitz and other revisionists through meticulous documentation and balanced judgment.

LAW AND RESPONSIBILITY IN WARFARE: THE VIETNAM EXPERIENCE. Edited by Peter D. Trooboff. Chapel Hill: University of North Carolina Press, 1975, 280 pp. $13.95.

The most controversial aspects of the tactics and weapons used in Vietnam are debated in the context of the international laws of war, as is the question of the individual's responsibility in combat. The participants in this symposium, sponsored by the American Society of International Law, include both policy-makers and leading analysts, and from the clash of strong opinions comes much new light. A felicitous format permitting authors' replies helps make this an important book.

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THE CONTROL OF NAVAL ARMAMENTS: PROSPECTS AND POSSIBILITIES. By Barry M. Blechman. Washington: Brookings Institution, 1975, 100 pp. $2.50 (Paper).

An unusually valuable study which examines the possibilities, relatively unexplored since the interwar years, for negotiated limitations on navies. The author is pessimistic in the short term, but furthers our thinking by discussing the benefits and risks of limitations through ceilings on inventories (ships, manpower, tonnage) or disengagement from regions (Mediterranean, Indian Ocean), and shows an acute sense of the political roles of a naval presence.

THE ARMS TRADE AND INTERNATIONAL SYSTEMS. By Robert E. Harkavy. Cambridge: Ballinger, 1975, 291 pp. $15.00.

An original and well-documented analysis, with a dominant theoretical thrust, of the transfer of conventional arms during two periods: the interwar years, and the postwar era to 1968.

NEW DYNAMICS IN NATIONAL STRATEGY: THE PARADOX OF POWER. New York: Crowell, 1975, 293 pp. $7.95 (Paper, $3.50).

This well-rounded collection of essays by faculty members of the U.S. Army War College attests to the fact that military education now encompasses the new economic, natural resource, and environmental aspects of world politics and their implications for national security.

THE ISRAELI ARMY. By Edward Luttwak and Dan Horowitz. New York: Harper & Row, 1975, 461 pp. $15.00.

A fast-paced, detailed and interesting survey of Israel's remarkable army, from its birth in 1948 through the October 1973 War. In many ways unique, the Israeli army has always been closely intertwined with the country's domestic politics.

THE INDIAN OCEAN AND THE THREAT TO THE WEST: FOUR STUDIES IN GLOBAL STRATEGY. Edited by Patrick Wall. London: Stacey International, 1975, 198 pp. (London: Business Books, distributor, £3.50; paper, £2.00).

The authors of this compendium, edited by a British MP, stress the vulnerability of the Indian Ocean and the Cape route from the Persian Gulf to Western Europe for the transfer of oil supplies.

URBAN GUERILLA. Edited by Johan Niezing. Rotterdam: Rotterdam University Press, 1974, 149 pp. (Portland, Ore.: International Scholarly Book Services, 1975, distributor, $11.80, paper).

The emphasis in this collection of essays from the Netherlands is on political violence in industrialized countries. The brief nature of the contributions makes for somewhat superficial analysis.

THE BRAIN BANK OF AMERICA: AN INQUIRY INTO THE POLITICS OF SCIENCE. By Philip M. Boffey. New York: McGraw-Hill, 1975, 312 pp. $10.95.

A Ralph Nader-sponsored investigation of the National Academy of Sciences, by a journalist formerly on the staffs of *Science* and *The Wall Street Journal*. The Academy receives a mixed review, criticized chiefly for its lack of initiative and independence in identifying and promoting solutions for major new problems of public science policy. Proposals for reform are included in this lively but certainly not irresponsible work.

ORGANIZING SCIENCE FOR TECHNOLOGY TRANSFER IN ECONOMIC DEVELOPMENT. By Robert A. Solo. East Lansing: Michigan State University Press, 1975, 224 pp. $10.00.

During a year as a science expert with the OECD, the author wrote an irreverent

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study—once banished, now updated, and here published—of the use of scientific resources by France, Britain, the Netherlands, and West Germany in providing technical assistance to developing countries. France receives the highest marks.

SCIENCE AND SOCIETY: PAST, PRESENT, AND FUTURE. Edited by Nicholas H. Steneck. Ann Arbor: University of Michigan Press, 1975, 412 pp. $15.00.

Wide-ranging essays on the development of science, mainly by historians and philosophers, which were written for a symposium influenced by Copernicus' humanistic approach.

KERNENERGIE UND INTERNATIONALE POLITIK. Edited by Karl Kaiser and Beate Lindemann. Munich: Oldenbourg (for the Deutsche Gesellschaft für Auswärtige Politik), 1975, 476 pp.

Interesting because of their West German perspective, these essays cover a wide spectrum of topics relating to atomic energy, ranging from technical issues such as safety and safeguards to proliferation and the role of international organizations. The book makes clear that nuclear energy will be of increasing importance to the Federal Republic.

SAFEGUARDS AGAINST NUCLEAR PROLIFERATION. Stockholm International Peace Research Institute. Stockholm: Almqvist & Wiksell/Cambridge: MIT Press, 1975, 114 pp.

An analysis of the important nuclear safeguards system of the International Atomic Energy Agency, by an Agency official. The conclusions emphasize the necessary element of cooperation by states: safeguards cannot be imposed.

General: Economic and Social

William Diebold, Jr.

EQUALITY AND EFFICIENCY: THE BIG TRADEOFF. By Arthur M. Okun. Washington: Brookings, 1975, 124 pp. $6.95 (Paper, $2.95).

An excellent discussion of some fundamentals of the American system. What rights and opportunities ought to be equally distributed and which should be left to the market to allocate? Can we achieve a good deal more economic equality without seriously damaging the productivity of the economy? The Godkin Lectures.

INTERDEPENDENT DEVELOPMENT. By Harold Brookfield. Pittsburgh: University of Pittsburgh Press, 1975, 234 pp. $8.95.

Annoyed by anti-historicism and many authors' lack of attention to spatial factors, this geographer writes as an interdisciplinary historian of ideas with a "concern over social injustice, and a world view." The resulting analytical survey of "ideas about development" is most interesting as it proceeds from old simplicities to new complexities (and more or less from right to left and north to south among the thinkers at the same time).

FOREIGN TRADE REGIMES AND ECONOMIC DEVELOPMENT. New York: National Bureau of Economic Research, 1975 (New York: Columbia University Press, distributor). V. I: TURKEY. By Anne O. Krueger. 339 pp. $17.50 (Paper, $5.00). V. II: GHANA. By J. Clark Leith. 216 pp. $15.00.

These are the first two volumes in what will surely be a most impressive study of the relation of trade and exchange policy to development. A strict and sophisticated comparative method is being applied by first-rate economists to ten countries. In the Turkish case, there is much emphasis on the costliness of protective measures stressing import substitution. In the Ghanaian case, the evil effects of restrictions and the subsequent failure of liberalization are both related to deficiencies of other policies as well.

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MONETARY COOPERATION BETWEEN EAST AND WEST. By Adam Zwass. White Plains (N.Y.): International Arts and Sciences Press, 1975, 265 pp. $15.00.

An excellent survey, by a Polish economist writing in Austria, that deals not only with the topic of the title but also with monetary and credit relations among the European communist countries.

TRADE INSTABILITY AND ECONOMIC DEVELOPMENT: AN EMPIRICAL STUDY. By Odin Knudsen and Andrew Parnes. Lexington (Mass.): Lexington Books, 1975, 142 pp. $14.00.

Careful and sophisticated statistical analysis leads to the conclusion that the greater instability of developing countries' exports is related more to the geography and concentration of their trade than to the products they sell. Then, on a more theoretical basis, the authors conclude that instability helps growth by encouraging investment. Useful for reviewing earlier work in this important field (and rebutting some of it).

FOREIGN DISINVESTMENT BY U.S. MULTINATIONAL CORPORATIONS: WITH EIGHT CASE STUDIES. By Roger L. Torneden. New York: Praeger, 1975, 157 pp. $15.00.

At a time when many American businesses are thinking how best to get as much of their assets as possible out of tight foreign spots, this book is a good bit more interesting than many studies of why multinational corporations invest. Many of the cases examined by the author, a businessman, suggest that scientific and systematic methods of management are scarcer than personalistic, ill-considered and not very well-informed actions.

INTERNATIONAL BUSINESS-GOVERNMENT COMMUNICATIONS: U.S. STRUCTURES, ACTORS, AND ISSUES. By Jack N. Behrman, J. J. Boddewyn, and Ashok Kapoor. Lexington (Mass.): Lexington Books, 1975, 205 pp. $12.50.

In a report prepared for the State Department, three American business school professors look at relations between American business and foreign governments, U.S. embassies and Washington departments. The variety of combinations of positions suggests the Kama Sutra (but faintly). There is more about process and organization than about the dilemmas of American policy. Some good illustrations and some inside views of Washington make the road easier.

MULTINATIONAL FIRMS AND ASIAN EXPORTS. By Benjamin I. Cohen. New Haven: Yale University Press, 1975, 170 pp. $12.50.

THE FRIGHTENING ANGELS: A STUDY OF U.S. MULTINATIONALS IN DEVELOPING NATIONS. By Anant R. Negandhi and S. Benjamin Prasad. Kent (O.): Kent State University Press, 1975, 249 pp. $20.00.

Studies of the actual performance of international business are welcome substitutes for the further overgeneralized discussion of "investment" and "the multinational corporation." Comparing a limited number of foreign manufacturing companies with local firms in South Korea, Taiwan and Singapore, Cohen finds less difference in performance than might have been expected. The other study compares management practices in Argentina, Brazil, Uruguay, India, and the Philippines and finds U.S. subsidiaries coming off rather better than local firms.

GLOBAL COMPANIES: THE POLITICAL ECONOMY OF WORLD BUSINESS. Edited by George W. Ball. Englewood Cliffs (N.J.): Prentice-Hall (for the American Assembly), 1975, 179 pp. $8.95 (Paper, $2.95).

PLANNING FOR INTERNATIONAL BUSINESS NEGOTIATION. By Ashok Kapoor. Cambridge: Ballinger, 1975, 355 pp. $15.00 (Paper, $7.95).

The American Assembly's volume has several good pieces, including a critical statement by a co-author of *Global Reach* that is better than anything in that volume. Kapoor analyzes negotiations between investors and host governments in four case studies.

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THE DEBT TRAP: THE IMF AND THE THIRD WORLD. By Cheryl Payer. New York: Monthly Review Press, 1975, 251 pp. $11.50 (Paper, $4.50).

The Fund depicted as the enforcer of the capitalist system against the autonomy developing countries would enjoy if they could keep out of debt.

INTERNATIONAL FINANCIAL MARKETS: DEVELOPMENT OF THE PRESENT SYSTEM AND FUTURE PROSPECTS. By Francis A. Lees and Maximo Eng. New York: Praeger, 1975, 538 pp. $25.00.

A very useful description of the characteristics of the financial markets of 14 countries and the Eurodollar markets occupies the bulk of this book, which also includes some comparative analysis.

THE ECONOMIC DEVELOPMENT OF THE THIRD WORLD SINCE 1900. By Paul Bairoch. Berkeley: University of California Press, 1975, 260 pp. $12.00.

Interesting comparative data leading to sensible and moderate policy conclusions that will prove hard to get adopted. The author is a professor at Geneva; the text is an enlarged translation of the latest (4th) French edition.

TOWARD A NEW WORLD TRADE POLICY: THE MAIDENHEAD PAPERS. Edited by C. Fred Bergsten. Lexington: Lexington Books, 1975, 393 pp. $20.00.

A bit miscellaneous in spite of their common focus, these papers by Japanese, European, and American businessmen, economists, and labor leaders contain much of first-rate interest.

SWEDISH ECONOMIC POLICY. By Assar Lindbeck. Berkeley: University of California Press, 1975, 268 pp. $12.00.

Has Sweden lost its middle way? Professor Lindbeck in a sense denies the question by eliminating the capitalism-socialism dichotomy as useful for studying a modern mixed economy. A lucid guide to complexities, in measures and ends, this book makes no sweeping judgments and does not deal with the social discontent that has been so much remarked on recently.

The United States

Gaddis Smith

A RESPONSIBLE CONGRESS: THE POLITICS OF NATIONAL SECURITY. By Alton Frye. New York: McGraw-Hill (for the Council on Foreign Relations), 1975, 238 pp. $10.00.

A clear and vividly written account, beginning with the 1968 debate over the ABM system, of the revival of congressional participation in setting the goals and shaping the instruments of national security. The author, a Senior Fellow of the Council on Foreign Relations and director of the Carnegie Endowment's Congress project, favors the trend toward an ever more significant congressional role. On the basis of case studies and personal experience as a congressional aide, he is optimistic. An important book.

DECADE OF DISILLUSIONMENT: THE KENNEDY-JOHNSON YEARS. By Jim F. Heath. Bloomington: Indiana University Press, 1975, 332 pp. $12.50.

HOLDING THE LINE: THE EISENHOWER ERA, 1952–1961. By Charles C. Alexander. Bloomington: Indiana University Press, 1975, 326 pp. $12.50.

Two useful, objective, and readable contributions to a new series on "America Since World War II." The titles accurately indicate the theme of each book. Both have good bibliographical essays.

PROPHETS ON THE RIGHT: PROFILES OF CONSERVATIVE CRITICS OF

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AMERICAN GLOBALISM. By Ronald Radosh. New York: Simon and Schuster, 1975, 351 pp. $9.95.

This is a stimulating contribution to a relatively new genre: admiring studies by historians on the Left of the noninterventionist and anti-imperialist stance of mid-century conservative critics of foreign policy. Radosh analyzes Charles A. Beard, John T. Flynn, Oswald Garrison Villard, Robert A. Taft, Sr., and Lawrence Dennis (in a particularly fine essay).

NEITHER PEACE NOR HONOR: THE POLITICS OF AMERICAN MILITARY POLICY IN VIET-NAM. By Robert L. Gallucci. Baltimore: Johns Hopkins University Press, 1975, 187 pp. $10.00 (Paper, $2.95).

The author rejects both the arguments that the United States blundered into the Vietnam War and that policy-makers knew exactly what they were doing. He favors a complex explanation of the political bargaining within the executive branch over the conduct of the war.

NEARING THE CROSSROADS: CONTENDING APPROACHES TO AMERICAN FOREIGN POLICY. By Reynold Levy. New York: Free Press, 1975, 180 pp. $9.95.

Noting the irrelevance of old dichotomies (realist-idealist, internationalist-isolationist), the author argues for more complex analysis, emphasizing the differences between "domesticists," who see American foreign policy as primarily a function of internal conditions, and those who see the United States as an element in a world system.

THE ORIGINS OF THE SECOND WORLD WAR: AMERICAN FOREIGN POLICY AND WORLD POLITICS, 1917–1941. By Arnold A. Offner. New York: Praeger, 1975, 268 pp. $11.50 (Paper, $4.95).

An excellent synthesis, much needed for college teaching, of the main lines of American foreign policy between the wars. The argument that the United States was an accomplice in appeasement is familiar, but well sustained.

THE TROUBLED ENCOUNTER: THE UNITED STATES AND JAPAN. By Charles E. Neu. New York: Wiley, 1975, 257 pp. $9.95 (Paper, $5.95).

The central event in this review of Japanese-American relations from Perry to the present is the outbreak of "the unwanted war" of 1941–45. A sketchy chapter on events since 1945 is disappointing.

THE GREAT DÉTENTE DISASTER: OIL AND THE DECLINE OF AMERICAN FOREIGN POLICY. By Edward Friedland, Paul Seabury, and Aaron Wildavsky. New York: Basic Books, 1975, 210 pp. $7.95.

A hard-boiled denunciation of the Arab OPEC nations and a plea for the United States to be less inhibited in considering the use of force. The Arabs "used oil as a weapon of war. They do not deserve to be rich; they deserve counteraction to drive their oil prices down."

THE ENERGY CRISIS AND U.S. FOREIGN POLICY. Edited by Joseph S. Szyliowicz and Bard E. O'Neill. New York: Praeger, 1975, 258 pp. $18.50 (Paper, $6.95).

The genesis of this collection of papers was a conference in November 1973. The focus is on the ramifications of the Middle East crisis of that moment, not on energy as more broadly defined.

THE RISE AND FALL OF AMERICAN COMMUNISM. By Philip J. Jaffe. New York: Horizon Press, 1975, 236 pp. $10.00.

A political biography of the longtime head of the American Communist Party, Earl Browder. The author was Browder's friend and associate, and had special access to previously secret documents. The book is disjointed, clogged with overlong quotations, but, withal, interesting.

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INSIDE THE COMPANY: CIA DIARY. By Philip Agee. New York: Stonehill, 1975, 639 pp. $9.95.

Twelve years as a CIA case officer in Latin America, recounted through the device of a reconstructed diary, with voluminous detail on the Agency's personnel, agents, and operations during the period of greatest concern about Cuban activities in the hemisphere. What the author knows first-hand seems unquestionable, if occasionally tinted; what he asserts beyond that (for example, that the Agency had any part in the Indonesian events of 1965) is often, in that case to this reviewer's knowledge, downright false, or in other cases, slanted. And the turgid excursions into sociological analysis in support of the author's conversion to "revolutionary socialism" leave the impression of a faceless man who moved from one form of zeal to another, with little of his underlying personality revealed. Nonetheless, this remains a deeply disturbing book about the lengths to which American policy in Latin America went during this period. W. P. B.

THE CHINA HANDS: AMERICA'S FOREIGN SERVICE OFFICERS AND WHAT BEFELL THEM. By E. J. Kahn, Jr. New York: Viking, 1975, 337 pp. $12.95.

How specially trained Americans working on China tried to report the emerging situation in the 1940s and were pilloried (all but two) as if they favored the communist takeover they generally foresaw. The section on the events of the 1940s draws on the full range of documentary materials; the latter section, on the water torture of persecution and neglect, is a tale that needed re-telling today. Beautifully pulled together by an old *New Yorker* hand, this is a powerful and important book about events that have affected both Asian policy and the morale and effectiveness of the Foreign Service even to this day. W. P. B.

THE UNHINGED ALLIANCE: AMERICA AND THE EUROPEAN COMMUNITY. By J. Robert Schaetzel. New York: Harper & Row (for the Council on Foreign Relations), 1975, 184 pp. $8.95.

The former American Ambassador to the Community is highly critical of U.S. policy over the past decade and particularly under Nixon. Although history, analysis and prescription sometimes get a little mixed together, the chapters on the future are sane and moderate, conceding the difficulties of the last two years but still seeing U.S. support for the unity of Europe as the right course. W. P. B.

S.SH.A.: MEZHDUNARODNO-POLITICHESKIE KRIZISY. By V. V. Zhurkin. Moscow: Nauka, 1975, 324 pp. Rubles 1.14.

The Deputy Director of the U.S.A. Institute in Moscow examines the theory and practice of crisis management in U.S. foreign policy. Displaying a remarkable knowledge of American writing on the subject, from think-tank musings to the mass of congressional testimony, he stresses the struggle between the respective partisans of cold war and détente and, as might be expected, the gains for peace if the U.S. would only match the principled policies of the U.S.S.R. J. C. C.

The Western Hemisphere

Robert D. Crassweller

CANADA AND THE AMERICAN PRESENCE. By John Sloan Dickey. New York: New York University Press (for the Council on Foreign Relations), 1975, 196 pp. $12.00.

A wide-ranging and well-constructed analysis of a relationship that has changed greatly in spirit over the past decade. A lifelong student of Canada, the former Dartmouth President distills a mine of information on the new thrust of Canadian sentiment, especially on economic and cultural issues, and goes on to the energy problems of the past year. A wise and measured book. W. P. B.

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N. W. ROWELL: ONTARIO NATIONALIST. By Margaret Prang. Toronto: University of Toronto Press, 1975, 553 pp. $25.00.

A first-rate political biography of one of twentieth-century Canada's most important and versatile leaders. This book will give Rowell (1867–1941) the historical reputation he deserves.

SIX WAR YEARS, 1939–1945: MEMORIES OF CANADIANS AT HOME AND ABROAD. By Barry Broadfoot. Garden City: Doubleday, 1975, 417 pp. $12.50.

Enthralling oral history. Canadians seem feistier and less conformist in their memories of the Second World War than Americans. Broadfoot, and Studs Terkel in the United States, are the masters of this genre.

THE COMMUNIST PARTY IN CANADA. By Ivan Avakumovic. Toronto: McClelland and Stewart, 1975, 309 pp. $5.95 (Paper).

An excellent history of the CPC, tracing its several roots, its long struggles, and eventual decline during the cold war. The author does not neglect doctrinal issues, but he also brings alive the individual personalities of the communist leaders.

DIVIDED LOYALTIES: CANADIAN CONCEPTS OF FEDERALISM. By Edwin R. Black. Montreal: McGill-Queen's University Press, 1975, 272 pp. $13.00 (Paper, $6.00).

The author discovers and elucidates five different models or concepts of federalism in the political discourse and deeds of Canadians since 1867. A good attempt to clarify an amorphous question.

THE AMERICAS IN A CHANGING WORLD. By Kalman H. Silvert and others. New York: Quadrangle/The New York Times Book Company (for the Center for Inter-American Relations), 1975, 248 pp. $3.95 (Paper).

The publication in October 1974 of the Report of the Commission on United States-Latin American Relations, of which Sol M. Linowitz served as chairman, was a landmark event in hemispheric relations. In addition to the text of the Report, this volume provides eight selected and edited papers from among those made available to the Commission. All are in considerable depth and represent the contributions of outstanding scholars.

LATIN AMERICA: THE SEARCH FOR A NEW INTERNATIONAL ROLE. Edited by Ronald G. Hellman and H. Jon Rosenbaum. Beverly Hills (Calif.): Sage, 1975, 297 pp. (New York: Halsted Press, distributor, $17.50).

The Center for Inter-American Relations is sponsoring a series of studies of Latin American international relations, a field not overly researched. In this first volume, 13 well-known authorities describe inter-American relations, domestic factors in inter-American foreign policy-making, and intra-Latin American relations.

WITH FIDEL: A PORTRAIT OF CASTRO AND CUBA. By Frank Mankiewicz and Kirby Jones. New York: Playboy Press, 1975, 269 pp. $10.95.

This is yet another of the attempts to evaluate revolutionary Cuba, in a basically sympathetic vein, through interviews and man-in-the-street techniques. The core of the volume reproduces 23 hours of interviews and talk sessions with Castro.

ARGENTINA IN THE TWENTIETH CENTURY. Edited by David Rock. Pittsburgh: University of Pittsburgh Press, 1975, 230 pp. $14.50.

Eight commissioned essays analyze Peronism, past and present, and probe the murky sources of Argentine political and economic instability. There are interesting observations on correlations between the political fortunes of Peronism and the performance of the national economy.

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ARGENTINA: THE PERONIST MYTH. By Roberto Aizcorbe. Hicksville (N.Y.): Exposition Press, 1975, 313 pp. $10.00.

The author, an Argentine journalist, suggests that the vexatious national ills trace back to the infiltration of leftist and collectivist influences, as a consequence of the disorders, weaknesses, and violence that followed Perón's first administration.

REVOLUTION AND COUNTER-REVOLUTION IN CHILE. By Michel Raptis. New York: St. Martin, 1975, 173 pp. $9.95.

A former Secretary of the Fourth International describes the Allende period from the point of view of worker management and participation, as embodied in the operations of worker and communal councils.

URUGUAY: THE POLITICS OF FAILURE. By Martin Weinstein. Westport (Conn.): Greenwood Press, 1975, 190 pp. $13.50.

A competent analysis of an interesting and important subject: the economic, political, and social decline of Uruguay over the last two decades.

EXTENSION IN THE ANDES. By E. B. Rice. Cambridge: MIT Press, 1975, 552 pp. $17.50.

Agricultural specialists will welcome this detailed account of the history and development of extension services in 12 Latin American countries during the 30-year period ending in 1971.

Western Europe

Fritz Stern

RECASTING BOURGEOIS EUROPE: STABILIZATION IN FRANCE, GERMANY, AND ITALY IN THE DECADE AFTER WORLD WAR I. By Charles S. Maier. Princeton: Princeton University Press, 1975, 650 pp. $27.50 (Paper, $11.50).

A study of the strategies, partly designed, partly pragmatically evolved, by which the Right in France, Germany, and Italy preserved the essence of their power and status, by accommodating and at times originating social transformations. This ambitious effort at comparative history is based on a wealth of new material and inspired by the work of leading social thinkers. A challenging work, by an American historian.

THE COMMUNIST PARTIES OF WESTERN EUROPE. By Neil McInnes. New York: Oxford University Press (for the Royal Institute of International Affairs), 1975, 209 pp. $16.00.

A splendid compendium on the size, structure, and—to a lesser extent—tactics of the communist parties, of which the prudent author says: "it is fairly sure that they will *matter* more in the decade ahead, more, that is, than during the days when they were 'exiles of the interior.'"

THE FAILURE OF THE STATE: ON THE DISTRIBUTION OF POLITICAL AND ECONOMIC POWER IN EUROPE. Edited by James Cornford. Totowa (N.J.): Rowman and Littlefield, 1975, 198 pp. $17.50.

Underneath the grandiose title are six essays, dealing with some major elements of political discontent, as manifested especially in revived regionalism, in several European countries. An interesting beginning.

LIFE WITH LLOYD GEORGE: THE DIARY OF A. J. SYLVESTER, 1931–45. Edited by Colin Cross. New York: Barnes & Noble, 1975, 351 pp. $23.50.

Notes taken by Lloyd George's longtime private secretary, covering the last, still active and controversial years of the British leader, including his visits to Hitler, whose achievements Lloyd George admired. A partial portrait of a major figure.

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SOCIALISM NOW AND OTHER ESSAYS. By Anthony Crosland. Edited by Dick Leonard. London: Cape, 1974, 260 pp. £3.95 (Paper, 1975, £1.95).

A foremost intellectual of the Labour Party—now, as earlier, a Cabinet member—Crosland writes practical, always stimulating essays on the future of social democracy, on socialist policies toward housing, education, and the environment.

POLITICS IN PRACTICE. By Lord Windlesham. London: Cape, 1975, 205 pp. £5.00.

Lord Windlesham served in a variety of posts in Edward Heath's last government, and these lucid essays offer an insider's view into the workings of Whitehall, the troubles of Northern Ireland, and relations of government to the media. A humane look at these and other problems of government under present-day conditions.

BRITISH FOREIGN POLICY, 1945–1973. By Joseph Frankel. New York: Oxford University Press (for the Royal Institute of International Affairs), 1975, 356 pp. $22.25.

A very sensible and broadly gauged inquiry into the sources and context of the making of British foreign policy and its actual conduct in key areas. Suggestive in approach and informative in substance.

DIPLOMACY AND ENTERPRISE: BRITISH CHINA POLICY 1933–1937. By Stephen Lyon Endicott. Vancouver: University of British Columbia Press, 1975, 209 pp. $15.00.

An intriguing study, based on new sources, of the political and business roots of British policy toward China. It is also intended as a forceful contribution to the current debate on the nature of imperialism, and the author has a strong inclination to see the evidence of his study as giving considerable support to Lenin's views.

HANDS TO PLAY. By Laurence Grafftey-Smith. Boston: Routledge & Kegan Paul, 1975, 211 pp. $14.00.

A highly literate British diplomat recalls his service in British-occupied Madagascar during World War II, in Pakistan, and in the Sudan, set against brief recollections of earlier days in pre-1914 Europe and his first assignment in Constantinople. Entertaining and enlightening.

FRENCH POLITICS IN TRANSITION: THE YEARS AFTER DE GAULLE. By Roy C. Macridis. Cambridge: Winthrop, 1975, 165 pp. $7.95 (Paper, $3.95).

A succinct but comprehensive survey of how de Gaulle's institutional legacy and changes in the socioeconomic realm have combined to mold a stable and yet slowly changing France after 1969.

THE FOREIGN POLICY OF FRANCE FROM 1914 TO 1945. By J. Néré. Boston: Routledge & Kegan Paul, 1975, 366 pp. $24.95.

A complete, if rather conventional, recital of French diplomacy, which was aimed at concealing and overcoming French weakness. A useful summary.

LA PAILLE ET LE GRAIN. By François Mitterrand. Paris: Flammarion, 1975, 301 pp. Fr. 32.

Occasional articles and notes from the years 1971 to the day after the election in 1974 that he so nearly won. Thoughts and impressions from the past and the present of an astonishingly uneven character.

HITLER: THE FÜHRER AND THE PEOPLE. By J. P. Stern. Berkeley: University of California Press, 1975, 254 pp. $3.65 (Paper).

Trenchant analysis of Hitler's rhetoric and style of action which harked back to older traditions of German society. A distinguished literary critic has written an original, stimulating work on the interplay between Hitler and the German people.

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ANSTOSS UND ERMUTIGUNG GUSTAV W. HEINEMANN, BUNDESPRÄSIDENT 1969–1974. Edited by Heinrich Böll, Helmut Gollwitzer and Carlo Schmid. Frankfurt/Main: Suhrkamp, 1974, 443 pp. DM. 32.

A collection of essays in honor not so much of the former President of the Federal Republic as of his diverse interests in legal, historical, and moral issues. A successful tribute.

THE LIMITS OF REASON: THE GERMAN DEMOCRATIC PRESS AND THE COLLAPSE OF THE WEIMAR REPUBLIC. By Modris Eksteins. New York: Oxford University Press, 1975, 337 pp. $22.50.

A close examination of the feeble and divided response of three liberal newspaper firms to the rise of Nazism. The role of the press in the demise of a democracy is an important and timely subject.

PORTUGAL: THE LAST EMPIRE. By Neil Bruce. New York: Halsted Press, 1975, 160 pp. $8.95.

A fine example of instant history: an English academic analyzes the background of the bloodless revolution of April 1974, led by the Movement of the Armed Forces, and describes the confused struggles that followed. Brief, informative, reasonably detached, with a particular appreciation of António de Spínola, the general who headed the revolt and hoped for a transition to democracy.

IRELAND IN THE WAR YEARS. By Joseph T. Carroll. New York: Crane, Russak, 1975, 190 pp. $10.75.

A fine book on a complicated subject: Ireland's World War II neutrality in the face of pressure from Germany, Britain, and the United States. Written with remarkable fairmindedness, this work throws light on the whole question of the fate of neutrals during the war.

BENELUX: AN ECONOMIC GEOGRAPHY OF BELGIUM, THE NETHERLANDS AND LUXEMBOURG. By R. C. Riley and G. J. Ashworth. New York: Holmes & Meier, 1975, 256 pp. $15.00.

A useful collection of important facts and figures about the economic life of these countries.

The Soviet Union and Eastern Europe

John C. Campbell

LENINISM UNDER LENIN. By Marcel Liebman. London: Cape, 1975, 477 pp. £12.00.

An attempt to rescue Lenin from the sterility of the official hagiography, and of Western interpretation, which Liebman finds but the mirror-image of Soviet writing. This is a serious work of Marxist scholarship which places Lenin's thought in historical context, especially the changes that came inevitably with the winning of power in Russia and the failure of the revolution to spread elsewhere.

HISTOIRE DU PHÉNOMÈNE STALINIEN. By Jean Elleinstein. Paris: Grasset, 1975, 248 pp. Fr. 34.

In a study which dovetails with that by Liebman on Lenin, a Marxist historian frankly faces the issue of Stalinism, which he describes honestly without veiling its horrors. He finds it was not inevitable, not a logical consequence of Leninism, but quite understandable in the light of the historical conditions in which socialism had to be built in Russia, conditions which have now changed.

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THE SOVIET IMAGE OF UTOPIA. By Jerome M. Gilison. Baltimore: Johns Hopkins University Press, 1975, 192 pp. $9.00.

In examining the doctrinal pronouncements of the Khrushchev period and thereafter on the nature of communist society and of the "new communist man" to be found when the transition from socialism is completed, the author raises some fundamental questions about the place of ideology in Soviet reality.

THE SOVIET UNION: YESTERDAY, TODAY, TOMORROW. A COLLOQUY OF AMERICAN LONG TIMERS IN MOSCOW. Edited by Foy D. Kohler and Mose L. Harvey. Washington: Center for Advanced International Studies, University of Miami, 1975, 220 pp. (Paper).

Collective retrospection, presented in unvarnished conversational form, by a dozen diplomats and journalists (including three former U.S. Ambassadors to Moscow), whose combined years of experience in the Soviet Union and with Soviet affairs total close to half a millennium. As to the future, pessimistic interpretations predominate, but there is plenty of disagreement.

ON SOCIALIST DEMOCRACY. By Roy Medvedev. New York: Knopf, 1975, 405 pp. $12.50.

A well-known dissident historian's critique of the Soviet regime's "perversions and distortions" of Marxism-Leninism, following his earlier exposé of Stalinism. More uncompromising critics may regard his pleas for change within the system as mere reformism, but the clear and firm views on intellectual freedom and democratic practice leave little question why the book could not be published within the U.S.S.R. The Russian-language original was published in Amsterdam in 1972.

DISSENT IN THE USSR: POLITICS, IDEOLOGY, AND PEOPLE. Edited by Rudolf L. Tőkés. Baltimore: Johns Hopkins University Press, 1975, 453 pp. $15.00.

A series of original contributions by American scholars in the fields of history, politics, sociology, philosophy, and law, ably edited and full of information on individual critics of the Soviet system and on efforts to build a democratic opposition, as well as on measures taken by the authorities to suppress them.

KONTINUITÄT IM WANDEL: BESTIMMUNGSFAKTOREN SOWJETISCHER DEUTSCHLANDPOLITIK IN DER NACH-STALIN-ZEIT. By Hans Wassmund. Cologne: Böhlau, 1974, 125 pp.

A modest, but carefully researched and well-reasoned study of Soviet policy on the German question during the middle 1950s, as Khrushchev put his own stamp on it without changing the fundamental factors of continuity.

THE MIDDLE EAST IN SOVIET POLICY. By R. D. McLaurin. Lexington (Mass.): Lexington Books, 1975, 206 pp. $13.50.

Summary facts, sober conclusions, and useful (though now outdated) tables mark this study, which was originally done for the U.S. Department of Defense and reads like a governmental intelligence paper.

THE ANATOMY OF COMMUNIST TAKEOVERS. Edited by Thomas T. Hammond. New Haven: Yale University Press, 1975, 664 pp. $25.00 (Paper, $5.95).

The editor's aim of comprehensive coverage (30 generally informative essays by as many competent authors on communist revolutions that succeeded or failed) is achieved, but the related task of comparative anatomical inquiry gets only rather cursory attention.

JEWS AND NON-JEWS IN EASTERN EUROPE, 1918–1945. Edited by Bela Vago and George L. Mosse. New York: Halsted Press/Jerusalem: Israel Universities Press, 1975, 334 pp. $15.50.

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JEWISH RESISTANCE IN NAZI-OCCUPIED EASTERN EUROPE. By Reuben Ainsztein. New York: Barnes & Noble, 1975, 970 pp. $37.50.

The place of the Jews in Eastern Europe before and during the Hitler terror remains a subject of intensive investigation for many obvious reasons. The book edited by Vago and Mosse grew out of an international symposium held in Israel and contains a number of good essays on individual countries and topics by experts on Eastern Europe in the interwar period. Ainsztein's volume is a massive job of research, intended to show beyond question how the Jews defended themselves.

THE LITTLE DICTATORS: THE HISTORY OF EASTERN EUROPE SINCE 1918. By Antony Polonsky. Boston: Routledge & Kegan Paul, 1975, 212 pp. $16.50.
SOVIET EUROPE. By Donald R. Shanor. New York: Harper & Row, 1975, 252 pp. $10.95.

These two books illustrate the perils of serving up large and complex subjects in simple form. Polonsky knows Eastern Europe's interwar history well and cites very extensive literature, but the attempt to cover it in brief, 15-pages-per-country chapters inevitably results in superficiality. Shanor's introduction to the contemporary scene in Eastern Europe, in which he uses, with mixed results, the device of extensive conversations with a single individual in each of the six countries, is less deficient because it is less ambitious.

TECHNOLOGY IN COMECON. By J. Wilczynski. New York: Praeger, 1975, 379 pp. $22.50.

Most published studies of Comecon and of the trade and economic policies of its members inevitably suffer as they fall behind, from the very start, unfolding events and fresh statistics, but this study by a well-informed economist is a solid work of lasting value.

BULGARIA DURING THE SECOND WORLD WAR. By Marshall Lee Miller. Stanford: Stanford University Press, 1975, 290 pp. $10.95.

Primarily a diplomatic history of how Bulgaria got into the war after it started and tried to get out before it ended, with some interesting episodes in between. Considerable new material but no radically new conclusions.

The Middle East and North Africa
John C. Campbell

THE ELUSIVE PEACE IN THE MIDDLE EAST. Edited by Malcolm H. Kerr. Albany: State University of New York Press, 1975, 347 pp. $14.95 (Paper, $6.95).

An attempt to throw light on the problem of Arab-Israeli settlement through a series of essays on how it was approached over the years from the varying perspectives of the Arabs, Israel, the United States, and the United Nations. The results reflect the nature of the problem and may offer some lessons on dealing with it.

THE UNITED STATES AND THE ARAB WORLD (Third Edition). By William R. Polk. Cambridge: Harvard University Press, 1975, 478 pp. $15.00.

In this new and fatter edition of what has now become a standard work, Polk covers events through 1973 and adds, as a bonus and guide to understanding, a description of his own new perspectives on the nature of international politics.

MIDDLE EAST OIL AND THE ENERGY CRISIS. By Joe Stork. New York: Monthly Review Press, 1975, 326 pp. $12.95.

A rundown of recent developments in international oil, in which the author's ever-present and often puerile "radical and socialist" interpretation makes it hard for the reader to weigh the facts for himself.

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PATTERNS OF POLITICAL LEADERSHIP: EGYPT, ISRAEL, LEBANON. By R. Hrair Dekmejian. Albany: State University of New York Press, 1975, 323 pp. $20.00.

POLITICAL ELITES AND POLITICAL DEVELOPMENT IN THE MIDDLE EAST. Edited by Frank Tachau. Cambridge: Schenkman, 1975, 310 pp. (New York: Halsted Press, distributor, $17.50; paper, $6.95).

Employing fashionable political science terminology, Dekmejian tests a number of hypotheses which emerge from his meticulously detailed study of some 400 leaders in three states. The Tachau volume, to which several well-known scholars contributed, deals more generally with the subject in seven states. Together, the two books mark an advance in the understanding of Middle East politics.

ARABIA WITHOUT SULTANS: A POLITICAL SURVEY OF INSTABILITY IN THE ARAB WORLD. By Fred Halliday. New York: Vintage Books, 1975, 539 pp. $6.95 (Paper).

An interestingly detailed description of the struggle of the revolutionary forces of the Arabian peninsula and Iran against imperialism and the present local ruling classes, from a Marxist and generally new-left point of view.

FAISAL: THE KING AND HIS KINGDOM. By Vincent Sheean. Tavistock (Devon): University Press of Arabia, 1975, 161 pp. £4.95.

This amalgam of biography, casual journalism, and personal history shows traces of the author's old style, but is rather light fare withal. Sheean is attracted to Faisal's character and showers praise on his statesmanship. The book takes on a new dimension in the fact that both author and subject died in the period between completion of the manuscript and its publication.

DEUTSCH-ÄGYPTISCHE BEZIEHUNGEN IN VERGANGENHEIT UND GEGENWART. By Thomas W. Kramer. Tübingen: Erdmann, 1974, 339 pp. DM. 24.

A rather pedestrian recital of events marking German-Egyptian relations from the 18th century onward. One merit is that it gives the essentials of the little-known story of Egypt's break with the Federal Republic in 1965 and the later renewal of relations.

TURKISH DIPLOMACY, 1918–1923: MUSTAFA KEMAL AND THE TURKISH NATIONAL MOVEMENT. By Salahi Ramsdan Sonyel. Beverly Hills (Calif.): Sage, 1975, 267 pp. $13.50.

Although the success story of Turkish diplomacy in this period has had much attention from scholars, and no great revelations are to be expected, the author has used a wide variety of familiar and newly available material to produce an excellent monograph.

RADICAL POLITICS IN MODERN TURKEY. By Jacob M. Landau. Leiden: Brill, 1974, 315 pp. Gldrs. 64.

A mine of information on the activities and writings of Turkish radical groups—both left and right—in the years following the 1960 revolution. It points out and explains the clout wielded by the extremists despite the small membership of their organizations.

RIZA SHAH PAHLAVI: THE RESURRECTION AND RECONSTRUCTION OF IRAN. By Donald N. Wilber. Hicksville (N.Y.): Exposition Press, 1975, 301 pp. $15.00.

This first full-length study of the founder of modern Iran has many merits. The reader may chafe under the author's deliberately chosen "chronological" approach, as he moves from event to event according to the calendar, but the record is full and the portrait of Riza is carefully and skillfully drawn.

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L'ALGÉRIE DEPUIS. By Étienne Mallarde. Paris: La Table Ronde, 1975, 262 pp. Fr. 36.

A sharp critique of Algeria's course since independence, arguing that first Ben Bella and then Boumédienne failed to solve the nation's problems and deprived the people of their democratic rights.

LE MAROC POLITIQUE: DE L'INDEPÉNDANCE À 1973. Edited by Claude Palazzoli. Paris: Sindbad, 1974, 485 pp. Fr. 87.

A useful collection of documents, made more so by the editor's introduction, an essay on Moroccan politics over the two decades of independence, and by his running commentary on the texts themselves.

South and Southeast Asia
Lewis C. Austin

INDIRA GANDHI: A BIOGRAPHY. By Zareer Masani. London: Hamish Hamilton, 1975, 331 pp. £6.50.

A socialist under whose rule the gap between rich and poor has widened, a female leader indifferent to women's issues, a pacifist who relies on military force, and a democrat who jails the opposition—this is an enigmatic figure for the biographer. Masani's objective and empathetic treatment measures up to the challenge. His remarks on the Indian future appear sadly prescient.

PAKISTAN UNDER CHALLENGE. By L. F. Rushbrook Williams. London: Stacey International, 1975, 233 pp. (London: Business Books, distributor, £3.90; paper, £2.20).

The author, whose credentials as an expert are impeccable, examines the pressures for secession and national fragmentation in post-Bangladesh Pakistan and finds that they serve, and are in part stimulated by, Soviet and Indian interests.

VIETNAMESE COMMUNISM: ITS ORIGINS AND DEVELOPMENTS. By Robert F. Turner. Stanford: Hoover Institution Press, 1975, 517 pp. $14.95.

Written from a firmly anti-communist standpoint, this rather pedestrian history ends in 1973. The author correctly predicts the final struggle, though not its outcome.

EXPLOSION IN A SUBCONTINENT: INDIA, PAKISTAN, BANGLADESH AND CEYLON. Edited by Robin Blackburn. Baltimore: Penguin, 1975, 378 pp. $3.95 (Paper).

These articles, first published in *The New Left Review,* depict a potentially revolutionary situation. The Trotskyite authors conclude correctly, however, that the Left in the area is divided and unequal to the opportunities presented it; and that the superpower rivalries of the Soviet Union and China impede rather than facilitate revolutionary change.

SOUTHEAST ASIA'S CHINESE MINORITIES. By Mary F. Somers Heidhues. New York: Longman, 1975, 125 pp. $6.50 (Paper, $3.50).

A useful survey, filled with facts and figures, which is only partly successful in clarifying the causes of anti-Sinicism, whether economic, political, or psychological.

East Asia and the Pacific
Lewis C. Austin

JAPAN: THE FRAGILE SUPERPOWER. By Frank Gibney. New York: Norton, 1975, 347 pp. $10.00.

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Gibney knows of what he writes. Like his previous book, *Five Gentlemen of Japan,* this one is a sensitive and scrupulous portrait of a society worth knowing.

JAPAN: DIVIDED POLITICS IN A GROWTH ECONOMY. By J. A. A. Stockwin. New York: Norton, 1975, 296 pp. $10.00.

A competent and workmanlike introduction to Japanese political life, perhaps the most concise and up-to-date available.

THE DEVELOPMENT OF JAPANESE BUSINESS, 1600–1973. By Johannes Hirschmeier and Tsunehiko Yui. Cambridge: Harvard University Press, 1975, 340 pp. $12.00.

A lucid and panoramic treatment of a perennially fascinating spectacle: a civilization modern but not Western. The authors' explication of the complex of entrepreneurship, economic rationality, and patriotism in Japan's industrialization is thoughtful; but their treatment of future trends tends toward a vagueness doubly disappointing because of the precision of their view of the past.

JAPANESE BUSINESS AND SOCIAL CONFLICT: A COMPARATIVE ANALYSIS OF RESPONSE PATTERNS WITH AMERICAN BUSINESS. By S. Prakash Sethi. Cambridge: Ballinger, 1975, 226 pp. $13.50.

Japanese business has always thought of itself as fulfilling an important national function; but its responsibilities were self-defined as profits and production, period. Is this changing? The author hopes so, but can offer little evidence.

THE JAPANESE ECONOMY IN INTERNATIONAL PERSPECTIVE. Edited by Isaiah Frank. Baltimore: Johns Hopkins University Press (for the Committee for Economic Development), 1975, 306 pp. $16.00 (Paper, $3.95).

These papers were originally prepared for the Committee for Economic Development as material for negotiations with its Japanese counterpart, *Keizai Doyukai.* Their concerns (international trade and investment) and their values (order, stability, progress) are in conformity with their origin.

CHINA AND JAPAN—EMERGING GLOBAL POWERS. By Peter G. Mueller and Douglas A. Ross. New York: Praeger (in cooperation with the Canadian Institute of International Affairs), 1975, 218 pp. $5.95 (Paper).

This Canadian study is thorough, concise, and solidly sensible. Its conclusion: Japan and China, both three-quarter-powers, need each other more then they need conflicts between them. Limited rapprochement is the likely pattern for the future, with the Chinese side wielding somewhat greater influence.

CHINA'S AFRICAN POLICY: A STUDY OF TANZANIA. By George T. Yu. New York: Praeger, 1975, 200 pp. $16.50.

This careful study of a diplomatic relationship of unequals concludes that the Sino-Tanzanian alliance endures in part because it serves not only the international but also the domestic interests of both partners.

CHINA'S ECONOMIC AID. By Wolfgang Bartke. New York: Holmes & Meier (for the Institute of Asian Affairs, Hamburg), 1975, 215 pp. $16.50.

A monograph which lists all of China's foreign aid projects and briefly analyzes their impact. Most favored projects: textile mills, medical groups. Most favored recipients: Pakistan, Tanzania. General effectiveness: high.

THE PETROLEUM INDUSTRY OF THE PEOPLE'S REPUBLIC OF CHINA. By H. C. Ling. Stanford: Hoover Institution Press, 1975, 264 pp. $10.00.

This careful study finds the outlook promising for China as an exporter of petroleum. Principal constraints are transportation (pipelines to the northeast and northwest) and

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technology (offshore drilling rigs). Both are likely to be overcome with some form of international arrangement.

INSIDE CHINA. By Peter Worsley. Totowa (N.J.): Rowman and Littlefield, 1975, 270 pp. $12.50.

Another traveler's report from China, by a British sociologist, but worth reading for the author's sensitivity to telling social detail. His frankly partisan vision does not exclude acute analysis and occasional criticism.

THE SEARCH FOR A NEW CHINA. By Winberg Chai. New York: Putnam, 1975, 316 pp. $8.95.

A rather sketchy history of the people and personalities that shaped the Chinese Revolution. This survey does go out on a limb that most Sinological commentators eschew: it picks a successor to Mao—namely, his wife.

BRITAIN AND EAST ASIA, 1933–1937. By Ann Trotter. New York: Cambridge University Press, 1975, 277 pp. $23.50.

The Far Eastern dilemma of Great Britain in the interwar years was to maintain a status quo security without alienating either the Chinese or the Japanese. This was essentially impossible, says the author, because Britain was a paper lion; but the fumbling dual diplomacy of Treasury and Foreign Office hastened the denouement.

COMMUNIST POLITICS IN NORTH KOREA. By Ilpyong J. Kim. New York: Praeger, 1975, 121 pp. $13.50.

Kim's book, a valuable short introduction to North Korean political life, seeks the roots of this indubitably successful model of "modernization" in a transformation and integration of traditional Confucian respect for authority and loyalty and Kim Il-sung's personal vision of life as struggle.

AUSTRALIA AND THE NON-WHITE MIGRANT. Edited by Kenneth Rivett, for the Immigration Reform Group. Carlton South (Vic.): Melbourne University Press, 1975, 327 pp. (Portland, Ore.: International Scholarly Book Services, distributor, $24.75).

Does Australia need more people? If so, who should they be? These questions have economic, military, ecological, and, above all, ethnic aspects, and the various answers stem from deep-rooted interests, fears, and hopes. This subtle study is firm that racism is wrong, and that the British example ought to be avoided.

Africa

Jennifer Seymour Whitaker

KENNETH KAUNDA OF ZAMBIA: THE TIMES AND THE MAN. By Fergus Macpherson. New York: Oxford University Press, 1975, 478 pp. $10.75.

The author of this biography is a longtime friend of its subject, as well as a historian —and his account of the intensely focused struggle for Zambia's freedom that was Kaunda's life until independence is fascinatingly replete with the details of that effort.

PROLETARIANS AND AFRICAN CAPITALISM: THE KENYAN CASE, 1960–1972. By Richard Sandbrook. New York: Cambridge University Press, 1975, 222 pp. $23.50.

In this careful analysis of the interrelationship between trade-union leaders and the government on one hand, and the rank and file on the other, Sandbrook both agrees and disagrees with Frantz Fanon: the unionized workers do constitute a small, self-interested class vis-à-vis the majority of the Kenyan population, but because their interests

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will inevitably conflict with those of the governing elite, they are a potentially explosive element.

THE PRESS AS OPPOSITION: THE POLITICAL ROLE OF SOUTH AFRICAN NEWSPAPERS. By Elaine Potter. Totowa (N.J.): Rowman and Littlefield, 1975, 228 pp. $13.75.

The anomalous existence of the free English-language press in a repressive society and the part played by the Afrikaans press in underlining the *verligte-verkrampte* divisions in national politics are vividly described. The English press is allowed to exist, in the author's view, because the white opposition to which it speaks is not considered a danger.

SOUTH AFRICA IN AFRICA: A STUDY IN IDEOLOGY AND FOREIGN POLICY. By Sam C. Nolutshungu. New York: Africana Publishing Company, 1975, 329 pp. $20.00.

An excellent analysis of South Africa's evolving relations with the rest of the continent (viewed in the context of domestic politics within the Republic) which, regrettably, extends only through 1973—it should be continued.

THE POLITICS OF RACE AND INTERNATIONAL SPORT: THE CASE OF SOUTH AFRICA. By Richard Edward Lapchick. Westport (Conn.): Greenwood Press (for the Center on International Race Relations, University of Denver), 1975, 268 pp. $13.95.

A simple narrative account of the increasing ostracism of South Africa from international sporting events makes the point—that only the actuality of isolation produced any softening in white attitudes toward apartheid in sports.

MILITARY RÉGIMES IN AFRICA. By W. F. Gutteridge. New York: Barnes & Noble, 1975, 195 pp. $12.75 (Paper, $7.00).

The author of *The Military in African Politics* (1969) here extends his analysis to the performance of military governments in Ghana, Dahomey, Nigeria, Zaïre, Uganda, and the Sudan; he feels that while they have often been competent at administration, they are by nature ill-equipped to raise the level of political culture of their citizenry.

DAHOMEY: BETWEEN TRADITION AND MODERNITY. By Dov Ronen. Ithaca: Cornell University Press, 1975, 272 pp. $16.50.

Dahomey's profusion of military and civilian regimes have, according to Ronen, operated in almost total detachment from most of the country's people. He advocates "traditionalization of modern institutions" to fit the attitudes and norms of the people.

RHODESIA: RACIAL CONFLICT OR COEXISTENCE? By Patrick O'Meara. Ithaca: Cornell University Press, 1975, 217 pp. $10.50.

A fairly simple description of the overt political actors in Rhodesia up to now; most informative about Africans working within the system.

CHINA'S AFRICAN REVOLUTION. By Alan Hutchison. London: Hutchinson, 1975, 313 pp. £5.00.

A breezy, factual account of the stages of Chinese involvement in Africa from the independence era to the present, with parallel information on Soviet activities in the area.

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SOURCE MATERIAL

By Donald Wasson

I. DOCUMENTS

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Japan has developed an advan... in many fields, including elec... and photographic equipment. ...they rely on us for soybeans, feed ...and wheat.

If we and other nations are ...continue reaping the benefits of sp... cialization, a greater spirit of inter... tional reciprocity must be develope...

The concept of nations worki... together for the mutual benefit of ... isn't new either. But when it comes ... putting it into practice, we've still g... a long way to go.

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...endence Day.

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